

TESTIMONY OF LORI MILES-OLUND, PRESIDENT, MILES FIBERGLASS & COMPOSITES

BEFORE THE U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

HEARING ON

EMPOWERING A PRO-GROWTH ECONOMY BY CUTTING TAXES AND REGULATORY RED TAPE

JUNE 20, 2018

Good morning Chairman Hensarling, Ranking Member Waters and distinguished members of the committee. Thank you for the opportunity to appear before you and for holding this hearing today on the important subject of tax reform.

My name is Lori Miles-Olund, and I am president of a family-run manufacturing company in Oregon. My father started our company in 1963 at the age of 19, and I have been involved in the business for more than 35 years.

Our company, Miles Fiberglass & Composites is based in Oregon City, Oregon. With more than 50 years of experience in the fiberglass and composites industry, we are dedicated to providing our customers with quality products that meet or exceed their expectations. At Miles, we believe that staying on top of the industry's technology is important. We put time and effort into keeping up with the changing marketplace and environmental standards of the fiberglass and composites industry. We make products for wind turbines, RVs, railroads and utilities. We also manufacture products for the military, including panel kits for Humvees, to protect and repair vehicle hoods and reduce maintenance downtime. Last year, we had sales of \$6.8 million; this year, we are on a path to produce \$12 million in sales. We are considered a medium-sized composite company. Thanks to tax reform, we anticipate generating an additional \$336,000 to invest in our business this year.

I am also a member of the National Association of Manufacturers (NAM). The NAM is the nation's largest industrial trade association and the unified voice for the more than 12 million men and women who make things in America. The NAM is deeply committed to achieving a policy agenda that helps manufacturers grow, create jobs and spread more opportunity and prosperity throughout the broader economy. So am I. That's why I am very happy to appear before you today on behalf of the NAM to describe the effect of tax reform on

manufacturers like Miles—today, almost exactly six months after its passage through Congress—as well as our dedicated employees and the community we call home.

Overview

It is no secret that America's tax code was in desperate need of an overhaul before Congress acted last December. For decades, manufacturers of all sizes faced an outdated tax system that put us at a tremendous disadvantage relative to other countries. In some instances, the *American* tax system actually *encouraged* companies to invest overseas instead of here in the United States. That's absurd, and it obviously presented many challenges for small and medium-sized companies like mine.

The tax reform bill Congress passed last year made tremendous strides toward leveling the playing field for manufacturers in the United States. It's just the kind of reform manufacturers had advocated for over many years. And, already, it is giving a significant lift to the American economy—in particular, manufacturing. Consider the brand-new Manufacturers' Outlook Survey numbers, released just a few minutes ago by the NAM. This is a survey of manufacturers like Miles that the NAM releases every quarter. It asks a lot of questions, but the headline metric is this: just how optimistic are you?

Well, here's what the latest survey found for manufacturers across the country: *Very. Extremely. Historically. This quarter's optimism reading of 95.1 percent is the highest in the history of the survey.* That means more than 95 percent of manufacturers are optimistic about the future of their companies. It's also the latest in a series of record-breaking optimism readings over the past year and half or so of these surveys. In other words, we keep breaking our own records. And you can probably imagine why. The *prospect* of tax reform alone was enough to get manufacturers excited—not just excited actually, but *historically* excited—and that trend is obviously continuing now as we mark six months since tax reform's passage.

So, the economy is on a roll, manufacturers are on a tear, and here's what you're probably thinking—so what does this mean for my constituents? Here's what your constituents are probably thinking—so what does this mean for me? These are the questions Americans *should* be asking. Manufacturers fought hard for tax reform over many years, and as we did, there was promise implicit in our advocacy: if Congress can deliver a pro-growth tax code, then

manufacturers can be freed to deliver on that growth—to hire more, to pay more, to invest more. You, in Congress, fulfilled your end of the bargain. Now, we, in manufacturing, are fulfilling ours.

Let's look at the big picture first.

Manufacturers' Response to Tax Reform

The NAM recently polled its members on the impact of tax reform for their own companies. The responses were almost entirely positive:

- **86 percent** said they planned to increase investments.
- **77 percent** said they planned to increase hiring.
- **72 percent** said they planned to increase wages or benefits.

This data is reflected on a palm card that is being delivered to your offices. I also have copies with me that I would be happy to share.

That palm card contains some other numbers, too.

There is 95.1 percent—the manufacturer optimism rate I mentioned earlier, which, again, is the headline reading from today's brand-new quarterly Manufacturers' Outlook Survey.

There is also 115,000—that's the number of manufacturing jobs created since the new tax code came into effect on January 1 of this year. It's about double the 63,000 manufacturing jobs that were created over the same time last year. It's a vast improvement over the 24,000 manufacturing jobs lost in 2016.

So, the trend here is clear. Of course, I know I'm throwing a lot of big numbers at you. 115,000 jobs created sounds like a lot. It *is* a lot, in fact, but it means far less as a singular number and far more in terms of what it collectively represents: each of the individual manufacturing jobs created across the country, at firms large and small, in tax reform's wake. In particular, I'd like to note the plans for 35 new jobs by the end of the year at one small, family-owned fiberglass manufacturer in Oregon City—our company, Miles.

Since the passage of tax reform, we've seen a dramatic increase in demand at Miles. Not only is this demand-driven growth indicative of the historically high levels of optimism that

the NAM has been seeing across the manufacturing sector during the tax reform era, but it's also resulting in tangible benefits for our employees, our community and our company. Here are some of the things that have been happening at Miles lately:

- **First, we are dramatically increasing our hiring.** Those 35 new jobs I mentioned are coming on top of the 50-employee workforce we started with at the beginning of the year. In other words, our hiring plans represent a 70 percent increase in our workforce. That's what tax reform has meant for job creation at Miles.
- **Second, we are raising wages and increasing benefits for our employees.** We already increased our starting wage by 9 percent. Now, we are implementing a new "Learn to Earn" program, which offers employees the ability to increase their pay further, by up to \$1.50 an hour, for each time they get trained on a new skill. We are also reinstating a bonus program, offering each employee a share in the company's profits on a quarterly basis and planning to absorb the cost of rising health care premiums as a company rather than passing them on to our employees. Finally, we have also started providing a gas stipend to make commuting to work more affordable. That's what tax reform has meant for the dedicated men and women who work at Miles. It has changed their lives—four of our employees were even able to buy their first homes.
- **Third, we are investing in our company.** We are working hard to upgrade our facilities. We have plans already underway, for instance, to consolidate our current two locations into a single, more modern building. Not only will this improve our efficiency, but it will also help logistically to have all our employees communicating and collaborating under one roof. We are also planning to purchase a state-of-the-art ventilation system that will be better for the environment. In addition, we have plans to purchase our first CNC machine. That's what tax reform has meant for growth and investment at Miles.
- **Fourth, we are helping our community.** This also means we can do even more for our community. We currently offer four scholarships at our local community college, but we would like to do more. We partner with the Scouts to help them earn their Composite Merit Badge; we had put this on hold until this year. In the fall, 50 Scouts will come to our facility and build fiberglass skimmer boards. That's what tax reform has meant for our community.

We are just one small, family-owned manufacturer. But we expect the entire sector to deliver on tax reform's promise. The good news is, our fellow manufacturers feel the same way. The better news is, our fellow manufacturers *are delivering*. The NAM recently launched a national campaign called "Keeping Our Promise" that is helping tell the story of how, after manufacturers called for tax reform and Washington delivered, manufacturers are already taking up the mantle to help improve lives and livelihoods. The campaign has featured stories from many companies already, including ours, and the plan is to continue doing so on a regular basis moving forward.

The most recent featured company is Glier's Meats from Covington, Kentucky.

Since the passage of tax reform, the company has grown from 25 to 29 employees—and the company plans to add five more. All employees have received multiple pay raises this year. Glier's is also bringing back comprehensive health insurance, which it had previously offered since the 1950s but had to cut back six years ago due to burdensome costs and regulations. The company also plans to invest in critical new equipment that will position it for the future, including a \$250,000 sausage-stuffing machine. As company president Dan Glier explained, "Tax reform has changed the economics. With the ability to recoup taxes, big changes are now possible."

Another featured company is AZZ Incorporated from Fort Worth, Texas. For more than 70 years, AZZ has helped build and protect critical infrastructure around the country. Like Miles, not only is AZZ benefiting from tax reform as a company, but it is ensuring that its employees and community are benefiting from tax reform, too. The company is hiring 100 new workers, investing \$1.75 million in a new employee bonus and incentive program and accelerating plans to build a new plant. AZZ has a great story to tell and, in fact, right about now, the company's president and CEO is testifying before Congress on tax reform, too—in the House Energy and Commerce Committee.

Small and medium-sized manufacturers like Miles, Glier's and AZZ are feeling the positive effects of tax reform. We are passing the benefits on, just as we said we would, and we want to continue doing so—we're certainly planning to do so at my company.

Larger manufacturers are feeling the positive effects, too. They are passing along the benefits as well. And, if the tax survey numbers I shared earlier are anything to go by, we have

more good news to look forward to from manufacturers of all sizes in the days and months to come.

And, if you're interested in finding out more, visit the NAM's "Keeping Our Promise" website at www.nam.org/taxstories.

Tax Reform: Provisions That Support Manufacturing Growth

It's clear that manufacturers are doing well thanks to tax reform. It's clear that they're passing on the benefits of tax reform, too. But just what is it about tax reform that is making this all possible? Well, last month, the chairman of the NAM—David Farr, chairman and CEO of Emerson—appeared before the House Ways and Means Committee to speak on this very topic. He highlighted a few key provisions from the new tax law that are particularly important to manufacturers:

- **The reduced burden on many small and medium-sized companies like mine**, which account for more than 90 percent of NAM members;
- **The lower tax rates overall**, which are allowing manufacturers in the United States to compete better globally;
- **The move toward a territorial tax system**, which is encouraging more dollars to flow back into the United States; and
- **The robust rules for capital cost recovery and a permanent research and development (R&D) tax credit**, which is especially important to us at Miles. We manufacture a lot of prototype products for customers. These are usually a breakeven or loss for us. We do it in hopes that it turns into production work, but it is a risk. There is a lot of R&D involved in these products. The R&D tax credit allows us to recoup some of the risk and not shy away from producing those products.

So, it's no wonder why tax reform has been such a boon to manufacturers across the country. As Mr. Farr put in in his own testimony last month, tax reform accomplished a lot of manufacturers' long-sought goals. That doesn't mean it was perfect. Tax reform could have gone even further to support manufacturing. It still can. Indeed, as Congress looks for ways to not only sustain but deepen our country's recent positive economic trajectory, I urge you to consider the following suggestions.

Again, as Mr. Farr laid out last month, the biggest priorities are:

- **Repealing several changes set to take effect in the coming years that serve as disincentives to investment and innovation**, such as a planned phaseout of full expensing, modifications to the treatment of deductible R&D expenses that would make it more expensive to perform research and imposing further limitations on the ability of businesses to deduct interest expense; and
- **Further reducing the tax burden on small businesses** by implementing a more robust incentive for pass-throughs.

Finally, as a general principal, manufacturers also urge you to continually re-evaluate the international competitiveness of our tax system. It took years of sustained effort to move our tax rate from one of the highest in the world to slightly better than average. Let's not let things get that bad again. Let's not wait another three decades to pass needed reforms. What we are asking is for Congress to stand vigilant to ensure our tax code is always focused on helping make the United States a more attractive place to start and grow a business—that it remains globally competitive, both in rates and structure.

Be assured that we manufacturers will stand with you in that effort, too, just as we did when it came to passing tax reform.

Conclusion

This Congress achieved what eluded so many lawmakers over the years. You developed and enacted a pro-growth tax reform bill. That's a big deal. It's great for manufacturing. It's huge for our economy and jobs. The reason is because of the legislation's unique combination of lower rates, incentives to upgrade capital equipment and its moves toward a territorial system. That is fueling unprecedented levels of optimism among manufacturers—a feeling of optimism that ripples up and down the supply chain and one that is priming small and large companies for growth.

As the owner of a Main Street business, I see the benefits of tax reform firsthand. Optimism and demand are skyrocketing. I am investing in my business, my employees and my community. I also know that I am not alone. Manufacturers across the country are buying capital equipment, providing raises, giving bonuses and increasing benefits.

These positive effects are being felt across all manufacturing sectors, all industries and all regions. More importantly, as we see in example after example these days, tax reform is helping strengthen communities, build new career opportunities and increase paychecks for the men and women of America's manufacturing workforce. Indeed, the true beneficiaries of tax reform are the hardworking men and women who make things in America. Investments that my company and others are making will help us continue to grow and thrive.

Manufacturers called for the passage of tax reform for many years. Now, it has finally happened. Was it perfect? No. But it certainly makes America more competitive. It's certainly helping us out in Oregon City. I know the same is true for so many others across the country. I urge this committee to continue pushing for policies that make the United States a more attractive place to start and grow a business.

Thank you for inviting me to testify before you today. I am happy to answer your questions.

###