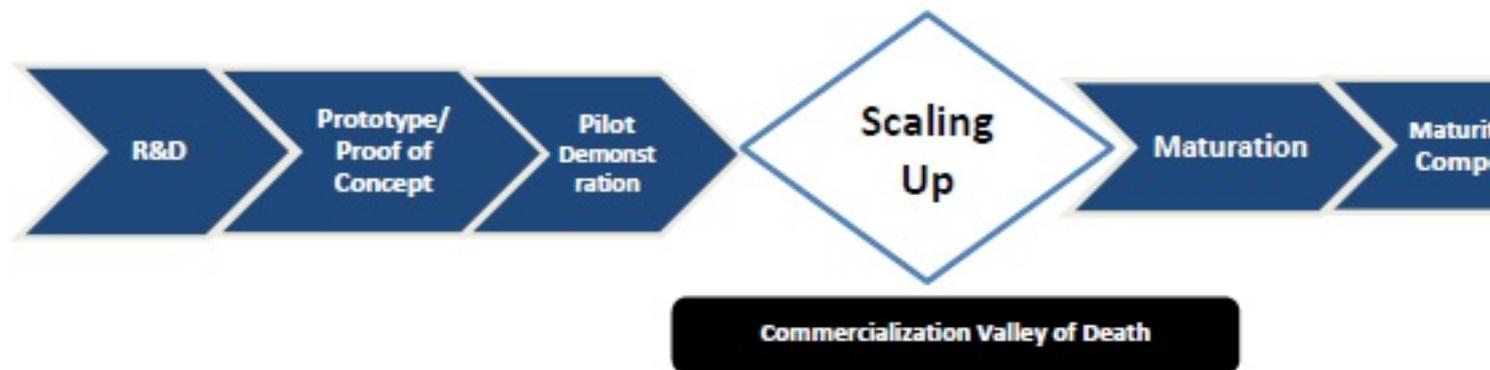


## Stop Offshoring Before It Starts: The Scaling Up Manufacturing Act

Somewhere in Silicon Valley, there's an entrepreneur with a great idea. After toiling for years, with many prototypes behind her, she's on the brink of a business breakthrough. Investors have signed on, and her garage is bursting at the seams with a makeshift mini-factory. She's about to make one of the biggest decisions of her entrepreneurial career: where to site her first production facility. Whether it's silent Velcro, electronic and computer products, or lightweight armor for our armed services, I believe if it's invented here, we should do our best to see it "scaled up" and manufactured here. The Scaling Up Manufacturing (SUM) Act of 2012 aims to do just that.



It's no secret that our nation's manufacturing sector has hit tough times, and what once comprised half of our nation's workforce now employs less than 10 percent of our country. For the United States to retain its status as an economic global leader, we simply must become a country that makes things again.

Entrepreneurs and businesses have more choices than ever in our increasingly competitive global economy. Other nations offer free land, lower wages, and other incentives that can reduce production costs. However, just because we believe in clean air and water, safe workplaces, and a living wage doesn't mean we can't compete – and win – in the 21st century. We simply must design our public policies to play to our nation's inherent advantages: the United States is still home to the brightest minds and boldest thinkers who perform cutting edge research and develop the vast majority of market-changing products. These innovators are a job-creating resource that we have failed to fully utilize.

We should rely on this resource because our nation's research and development sector remains strong, bolstered by private sector investment. According to the 2012 Science and Engineering Indicators report compiled by the National Science Foundation, our nation's private sector businesses are the largest performers and funders of R&D in the United States, outpacing the efforts of the federal government, universities, and nonprofits combined. This positive trend isn't just a one year fluke - the R&D industry footprint has grown rapidly over the past 5 decades, with business funding of domestic R&D rising from \$2.2 billion in 1953 to more than \$247 billion in 2009 by yearly increases that have far outpaced GDP growth.

Encouragingly, small businesses account for more than one-fifth of private sector R&D performance, meaning many of our most vibrant potential job creators are at the cutting edge of technology. But sadly, these investments haven't translated into a bigger domestic manufacturing footprint, because at the point where businesses scale up, they often move overseas.

## How the Scaling Up Manufacturing Act Works

The Scaling Up Manufacturing Act (H.R. 6120) would defray the cost of manufacturing in the United States for startup companies by providing a 25 percent tax credit on expenditures toward the construction, purchase, or lease of their first domestic manufacturing facility.

1. Businesses may qualify for the credit if they –
2. Are headquartered in the United States;
3. Do not have any other domestically located manufacturing facilities;
4. Include manufacturing of tangible goods as part of their business model;
5. Are startup businesses;
6. Have demonstrated commercial viability for their product, and;
7. Have a credit rating of B minus or higher from a credit rating agency registered with the SEC, if they are rated at all.

Further, because many of these startup businesses will not turn a profit or have any tax liability for many years to come, this tax credit is also transferrable. This would give an emerging business the option of selling the credit to an investor and gain equity they badly need at the

scaling up phase.

To read an op-ed on the importance of this proposal, [click here](#) .

## Endorsements

To read a letter of endorsement from the **American Chemical Society**, the world's largest scientific society which represents thousands of chemical scientists and engineers, [click here](#)

Eileen Tanghal, Head of **Applied Ventures** in Santa Clara has called the bill an important piece of the puzzle for success of their investments, startup businesses, and growing the United States' manufacturing sector stating, "Start-up companies looking to set up manufacturing in the U.S. face a number of challenges. Tax incentives are an important piece in giving start-up companies the confidence to make important first investments in facilities, equipment and personnel. This legislation would provide a vital incentive during this critical time and give companies and their investors the tax flexibility to site manufacturing here in the U.S."

[Current Cosponsors of the Scaling Up Manufacturing Act](#)