



AMERICAN FOUNDRY SOCIETY

2023 FEDERAL PRIORITY ISSUES

The U.S. metalcasting industry strongly supports the implementation of the following pro-manufacturing public policy priorities for 2023 that will bolster competitiveness, fuel economic growth, and create jobs. Decisions made by policymakers have a profound impact on the metalcasting industry and their workers.

Working in partnership with our members, the American Foundry Society (AFS) is committed to telling the industry's story and sharing our policy priorities to ensure lawmakers understand the vital role metalcasting plays in the U.S. manufacturing base.

Energy & Permitting Reform • Competitive Tax Policy • Environmental Quality • International Trade
• American Security & Domestic Supply Chain • Workforce Development • Safety & Health

Energy & Permitting Reform

Access to sustainable, reliable, affordable energy is fundamental to U.S. national and economic security. Maintaining a modern, flexible, and secure network of electric power transmission and distribution lines, oil and natural gas pipelines, and storage facilities is essential to delivering affordable and reliable energy to U.S. businesses, manufacturers, and consumers — promoting growth across all sectors of the economy and supporting the country's thriving domestic energy industry.

As an energy-intensive industry, metalcasting is hindered by the slow and inefficient permitting process for energy infrastructure and plant modernization projects. Most of the U.S. electric grid was built in the 1960s and 1970s. Today, over 70% of the U.S. electricity grid is more than 25 years old, and that aging system is vulnerable to increasingly intense storms. Also, the electric infrastructure in the U.S. was built to bring energy from where fossil fuels are burned to where the energy will be used. A new transmission grid will be required as renewable energy, especially wind and solar energy, are replacing fossil fuels.

Currently, the regulatory framework and permitting systems that surround the energy sector were designed for another age, locking in a pace of infrastructure modernization and expansion that is out of step with the energy sector's rapidly changing needs.

Congress and the Administration have a unique opportunity to accelerate investments in energy infrastructure. AFS urges the following actions be taken:

- Enact a comprehensive and diverse energy strategy for both traditional and renewable resources.
- Repair and streamline the permitting process for energy infrastructure projects and plant modernization projects, which will help reduce energy costs and set the U.S. on the path to a more energy secure future.
- Facilitate industrial access to affordable and reliable energy and maximize the nation's natural gas benefit for U.S. manufacturers.
- Establish strong investment incentives.
- Provide for a reliable, modern electric grid that ensures manufacturers can access reliable, affordable energy when they need it.
- Require competitive bids for new investments in transmission projects, which will reduce electricity costs for all ratepayers.

Competitive Tax Policy

AFS strongly supports a competitive and pro-growth tax environment. The passage of the 2017 Tax Cuts and Jobs Act (TCJA) has allowed foundries to reinvest in their employees and operations. Rolling back key pro-growth provisions costs jobs, slows the economy, and reduces investment in the United States.

Congress can provide much-needed certainty by working to reverse the harmful change to the tax treatment of R&D, preventing the phase-down of full expensing and making permanent the Small Business Deduction (Section 199A) for pass-through businesses. AFS urges the following actions by Congress and the Biden administration:

- **Make Permanent Full and Immediate Expensing for Capital Equipment.** The 2017 TCJA provided full 100% expensing for investments of capital costs, including machinery and equipment, in the year the investment is made rather than spreading the costs out over several years. Unfortunately, the policy was created for five years and will begin phasing out in 2023 and be eliminated by 2026. Full expensing gives manufacturers a zero percent effective rate on new investments, which incentivizes more capital flowing in the economy, leading to stronger growth.
- **Make Permanent and Expand the 20% Deduction of Business Income for Pass-Through Businesses.** By making permanent the Small Business Deduction (Section 199A), it will allow some metalcasters to deduct up to 20% of their qualified business income. Many metalcasters are structured as pass-through entities and without this deduction, would face a competitive disadvantage to companies organized as C-Corporations. The 2017 TCJA created a 20% deduction for businesses organized as pass-throughs through 2025.
- **Restore R&D Tax Credits.** For nearly 70 years, the tax code has recognized the importance of research and development by allowing businesses to fully deduct their R&D expenses in the same year. Current tax law prevents firms from expensing the full value of R&D investments in the first year, and instead uses a five-year depreciation schedule, making R&D more costly to conduct in the U.S. Failing to reverse this change will cost well-paying jobs and reduce future innovation-directed R&D. The U.S. is now one of two developed countries requiring the amortization of R&D expenses. Meanwhile, China currently provides a super deduction for R&D expenses up to an extra 100% of eligible R&D expenses in addition to actual R&D expenses.
- **Repeal 12% Federal Excise Tax on Heavy-Duty Trucks.** This antiquated tax from World War I adds 12% to the cost of new heavy trucks, trailers, semitrailer chassis, and tractors for highway use. Off-highway equipment such as agriculture, earthmoving, forestry, and mining machinery are exempt from this tax. This tax is paid at the time of sale and is not levied on used truck sales, consequentially encouraging the purchase of used vehicles and serving as a disincentive of the deployment of cleaner and safer equipment. A number of foundries produce critical castings for heavy-duty trucks and trailers.
- **Repeal the Alternative Minimum Tax (AMT).** The AMT creates needless complexity and is a stealth tax increase on metalcasters. The 2017 TCJA increased the exemption level for individual AMT filers, but that will expire in 2025. While the AMT should be repealed altogether, at the very least the AMT relief in the TCJA should be made permanent.

- **Make Permanent the Estate Tax Repeal.** Since many foundries are family-owned, they must plan for the estate tax if they want to keep the business operating after the death or retirement of the owner. Permanent repeal of the estate tax would keep family-owned foundries operating for future generations. The AFS-backed 2017 TCJA increased the estate tax exemption from \$5 million to \$10 million, but that tax relief will expire in 2025 without Congressional action. AFS supports a permanent extension of the higher exemption.

Environmental Quality

America's metalcasters are committed to environmental quality, investing tens of millions of dollars annually to advance that cause by meeting environmental requirements, and in many cases, implementing beyond-compliance practices. U.S. environmental quality has improved markedly and continuously for decades. These positive results are evidence that economic growth and environmental quality are not mutually exclusive.

The AFS Environmental, Health & Safety Division provides a wealth of conferences, webinars, and resources to help metalcasters achieve environmental goals and regulatory compliance. AFS has a long history of working with regulators and other stakeholders to foster understanding of environmental challenges and the best ways to address them.

AFS urges that environmental policies be based on sound science, feasibility studies, and rigorous cost-benefit analysis. Metalcasters should be afforded flexibility in how they go about achieving environmental standards given the unique nature of their processes and operations.

- **PM_{2.5}.** The Environmental Protection Agency (EPA) has proposed a revised National Ambient Air Quality Standard (NAAQS) for fine particulate matter, known as PM_{2.5}. The new standard could be set at, or near, background levels for PM_{2.5} for many areas and would result in approximately 50 percent of counties nationwide being designated as nonattainment areas for PM_{2.5}. Facilities located in nonattainment areas could face significant negative impacts such as restrictions on production, ban on new facilities or expansions of existing facilities, stringent new emission limits for PM_{2.5}, and increased regulatory oversight on facility operations and air permits.
- **Climate Change.** As global and national attention focuses on efforts to address climate change issues, government officials, industry trade groups, community organizations, and the public are developing strategies on the best approaches to reduce greenhouse gas emissions. The metalcasting industry is recognized as an energy-intensive, trade-exposed industry sector and could be significantly impacted by the many proposals to address climate change. AFS is in the process of developing a roadmap on how metalcasting operations can reduce greenhouse gas emissions and best address climate change measures in an economically and environmentally sustainable manner.
- **Environmental Justice Initiatives.** President Biden has made environmental justice a priority in his Administration to address the disproportionate impact of environmental hazards on disadvantaged communities. All federal agencies have been asked to address environment justice issues, and environmental justice initiatives are also being incorporated into a wide range of federal proposals, including climate change and infrastructure legislation. In addition, many states have their own environmental justice programs, and nationwide social justice initiatives have also bolstered the focus on environmental justice. These initiatives will require facilities to conduct cumulative environmental justice impact analyses and engage community groups and environmental justice advocates in environmental rulemakings, permit renewals, enforcement actions, and settlement agreements to mitigate the negative impacts on minority, poor, and disadvantaged communities. EPA has also released an updated EJSCREEN (<https://www.epa.gov/ejscreen>) that is a screening and mapping tool to help identify communities that may need environmental justice focus.

- **Industrial Stormwater Discharge Controls.** AFS members are committed to the implementation of best management practices to manage stormwater discharges at its facilities and have worked cooperatively with EPA and other industry trade groups to identify reasonable and appropriate controls. As EPA and authorized states enforce the provisions of EPA's 2021 National Pollutant Discharge Elimination System (NPDES) Multi-Sector General Permit (MSGP) that governs stormwater discharges associated with industrial activity in areas, metalcasters must revise stormwater permits and management practices. Fortunately, the new MSGP incorporates many of the measures that AFS has advocated, including a reduction of burdensome benchmark monitoring requirements, retention of sector-specific stormwater control measures, and greater flexibility for demonstrating compliance. While the new MSGP may require facilities to revise their stormwater management practices, these changes, for the most part, represent a more cost-effective and sustainable approach to minimizing the impact of stormwater discharges that is protective of human health and the environment.
- **National Recycling Goals.** As part of an effort to increase the U.S. recycling rate to 50 percent by 2030, the metalcasting industry continues its commitment to promote recycling and the conservation of valuable resources. The metalcasting industry is a recycling industry and includes several categories of recycling: 1) scrap metal and other metal-bearing materials as raw materials for the metalcasting process; 2) reuse of materials in-house as part of ongoing manufacturing process, 3) beneficial use of industrial byproducts such as foundry sand; and 4) reclamation or reuse of secondary materials generated from the manufacturing process that are not returned to the foundry.
- **Emissions Benchmarking Project.** The AFS Air Quality Committee has been collecting stack test emission data to develop reliable emission factors for metalcasting operations to create a useful tool for metalcasting operations. This information collected was reviewed, evaluated, and summarized so that AFS members can benchmark their facilities' emissions against other metalcasting operations. In addition, the data can be used for defining air permit conditions and to establish air emission factors for specific operations.
- **Green Foundry Initiative and Case Studies.** AFS recognizes that a strong business case can be made for promoting environmental sustainability within metalcasting facilities. Through the Green Foundry Initiative, AFS gathers information from member companies regarding significant and novel approaches to improve sustainability, reduce energy and resource consumption, decrease or eliminate waste generation, conducting GHG emissions measurement and reduction, community engagement, minimize toxicity, identify beneficial use options for spent materials, and generally reduce their environmental footprint while maintaining production. The Green Foundry Case Studies are searchable by environmental media or by foundry process at <https://www.afsinc.org/sustainability-metalcasting>.

International Trade

AFS supports a transparent and fair playing field for metalcasters and our customers to participate in the global marketplace, including vigorous enforcement of U.S. trade laws and international trade agreements. Too often, foreign countries, including China, have engaged in unfair and unlawful trade practices, including subsidies, currency manipulation, intellectual property theft, and dumping. These illicit practices have contributed to the closure of some foundries and casting-consuming factories, as well as job losses in American communities.

To address these ongoing challenges, AFS urges the following actions by Congress and the Biden administration:

- **Trade Laws.** AFS backs vigorous enforcement of U.S. trade laws. The Administration should work to halt transshipment, circumvention, and other forms of evasion of trade remedy orders. We urge the strengthening of U.S. antidumping and countervailing duty laws, as well as continuing to allow the countervailing duty law to be applied to currency manipulation by foreign governments.
- **Tariffs.** Ensure the retention of the Section 232 and 301 China tariffs on ferrous and nonferrous metalcasting imports that were adopted during the former Trump Administration.
- **U.S. Customs Modernization.** AFS supports the Congress and government in its efforts to update our customs rules and adapt to a changing trade environment. Over the last few decades, rapid technological changes, the expansion of e-commerce, and accelerating globalization have altered the nature of global trade. Foreign companies continue to find new ways to circumvent our trade laws. Keeping out the trade cheats has become a game of whack-a-mole. Stepping up enforcement requires finding and stopping today's trade cheats and crafting tools that are flexible enough to stop the next round of trade cheaters too.
- **Reshoring.** AFS applauds and encourages voluntary reshoring initiatives for castings and other critical goods. AFS partners with The Reshoring Initiative, which helps companies quantify the financial benefits of reshoring.
- **Buy-America Requirements.** AFS supports the principle that when taxpayer funds are used for infrastructure projects, all the metal used, including castings, should be made in the U.S. Right now, hundreds of construction projects are ongoing to rebuild our infrastructure, such as roads, bridges, and drinking and wastewater systems, thanks to funding from the Bipartisan Infrastructure law. That law requires new infrastructure be Made in America. Importers are working behind-the-scenes to undermine these Buy America requirements. Your state's transportation officials must enforce the Build America, Buy America requirements in our infrastructure laws!

American Security & Domestic Supply Chain

AFS is concerned about our continued reliance on imported minerals and metals, which are essential for the nation's defense, electric vehicles, wind power, and many more sectors. Of the 35 critical minerals identified by the U.S. in 2018, 28 are at least 50% imported.

Furthermore, more than half of the minerals and metals that the United States depends on for advanced technologies, such as rare earths, come from China. Natural disasters, civil unrest, trade disputes, and company failures all can disrupt a mineral supply chain and the many products that depend on it, making many critical minerals a national security priority.

Minerals such as copper and cobalt are central ingredients in military aircraft, smart bombs, and other weapons. The minerals are also in demand to create electric and low-emission vehicles.

The World Bank expects global copper demand to grow 1,000% by 2050. A study by S&P Global has warned that the challenge of meeting net zero carbon emissions by then will remain out of reach unless a significant new copper supply comes online soon.

Although the U.S. has increased its strategic planning and investment in reliable supply chains in recent years, particularly as China has moved to increase control over critical mineral exports, the United States' own mining and recycling of these minerals is still small. The amounts of lithium, cobalt, graphene, indium, and other critical minerals needed for low-carbon technologies alone are expected to increase anywhere from 100% to 1,000% by 2050. Many of our supply chain issues will require long-term solutions.

In the interim, AFS urges the following actions by Congress and the Biden administration:

- Implement the CHIPS and Science Act to ensure expansion of domestic production of semiconductors, which is key for America to lead the next era of innovation and beat China.
- Pass commonsense permitting reform policies that speeds up the time it takes to approve a mine and would encourage more domestic mining for minerals and decrease our reliance on foreign countries.
- Advance mining projects that have been stuck in permitting delays.
- Incentivize domestic investments to build a domestic critical mineral supply chain, including processing.
- Expand recycling and reuse of critical minerals to increase sustainability and make minerals more available for U.S. use.

Workforce Development

Results from AFS' Quarterly Metalcasters Outlook Survey continually point to a lack of qualified workers to fill positions in the U.S. metalcasting industry as their number one challenge. This skills gap reflects a perfect storm that continues to face manufacturers across the nation, particularly as the Baby Boomer generation retires. A pipeline of skilled and technical labor to fill our current and future workforce needs is essential. Strengthening the U.S. workforce development system to equip American workers with the skills and know-how to succeed will keep America manufacturing competitive and a leader in the global economy.

To address these ongoing challenges, AFS urges the Congress and the Biden administration to take the following steps:

- **Support Improvements and Enhanced Funding for Career and Technical Education (CTE) Programs.** CTE programs play a critical role in providing a high-quality workforce pipeline to key industries such as manufacturing, STEM, construction, and transportation distribution. However, between FY 2004 and FY 2022, funding for the Perkins Basic State Grant program declined by over \$400 million inflation-adjusted dollars.
 - **Cosponsor Jumpstarting our Businesses by Supporting Students (JOBS) Act.** This bipartisan bill would allow and expand Pell Grants to be used for high-quality job training programs that are at least eight weeks in length and lead to industry-recognized credentials or certificates. Currently, federal Pell Grants are not available to students in short-term certificate programs that provide the education and skills necessary for many in-demand careers since Pell Grant eligibility is limited based on a program's clock hours and/or length.
 - **Increase Funding for the Carl D. Perkins Career and Technical Education Act (Perkins) Basic State Grant Program in the Fiscal Year (FY) 2024 Labor/HHS Appropriations.** The Perkins program is the principal source of dedicated federal funding for CTE, which help build the capacity of secondary, postsecondary institutions, and adult CTE programs across the country, to serve millions of students nationwide. Now more than ever, we need high-quality CTE programs in every community in the nation. CTE programs provide unique opportunities for students to engage with employers and participate in internships, apprenticeships, and other meaningful on-the-job experiences.
- **Increase the Number of Truck Drivers.** Metalcasters experienced a slew of freight disruptions during and after the COVID-19 pandemic. The trucking industry is continuing to face a severe driver shortage. Without enough drivers, there will not be enough fluidity in the supply chain to ensure manufacturers and consumers are getting their essential goods. We urge lawmakers to support the following bill that would increase the number of truck drivers:
 - **Safer Highways and Increased Performance for Interstate Trucking Act (SHIP IT Act) (HR471),** which includes:
 - A tax credit of \$7,500 per year for experienced drivers and \$10,000 for new drivers. These credits would last two years.
 - Increased accessibility to commercial driver's license (CDL) tests.
 - Allowing truck drivers to apply for Workforce Innovation and Opportunity Act grants for truck driving training.

Safety & Health

AFS shares the federal government's critical goal of ensuring safety and health at manufacturing facilities. AFS member companies make substantial investments in training and technology to promote workplace safety and health. The society offers a variety of safety training courses, conferences, webinars, print, and web materials concerning regulations and enforcement initiatives, as well as sound safety practices. Nearly 200 industry professionals participate in AFS's annual EHS Conference held every fall to hear the latest on best practices, as well as OSHA initiatives, from a wide variety of industry and safety experts.

The AFS Safety Committee meets quarterly to share the latest news on occupational safety and health legislation and regulation, as well as updates on our member-driven initiatives. From an advocacy perspective, AFS also advises policymakers, offering expert guidance on how proposed and existing regulations and laws affect the industry and its employees.

AFS's Washington office regularly engages with OSHA on key safety and health matters and provides comments on key rulemakings.

To promote safety and health, AFS encourages policies that conform to the following principles:

- **Sound Laws and Rulemaking.** New and existing workplace safety laws and regulations should be technologically attainable, based on current risk assessments, practical, and as cost-effective as possible. They should be performance-based, so employers are afforded flexibility to meet standards in the best way possible in light of their unique mix of operations, equipment, and product lines.
- **Enforcement.** AFS encourages federal and state authorities to emphasize a collaborative and consultative approach, as opposed to an adversarial approach, with employers as they make conscientious efforts to safeguard their employees and comply with expansive state and federal requirements.