



American Shareholders Association

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Business Investment is Bolstering Economic Growth

Expensing and Accelerated Depreciation Boosting New Investment, Jobs

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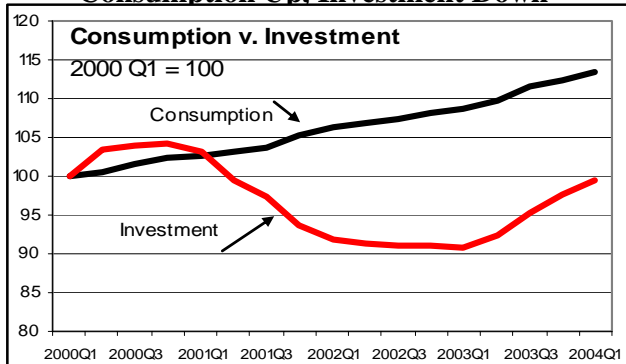
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Extend Depreciation Allowance

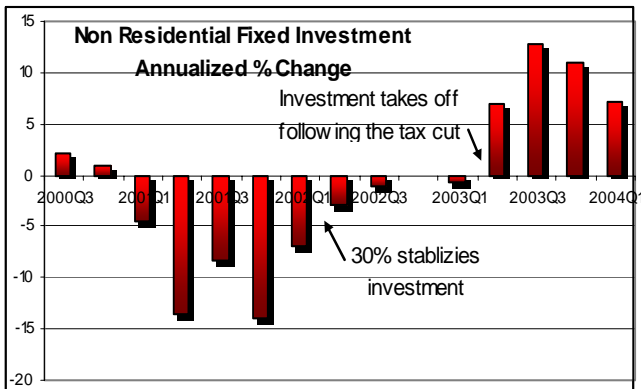
Consumption Up, Investment Down



Business Investment, Not Consumption, Led Downturn

The previous economic slowdown was characterized by an unusual downturn in business investment spending. Consumer spending has increased every quarter for the past 12 years. Business spending, however, declined nine straight quarters and was the force of economic decline in the country. Last year's tax cut sought to reverse this by reducing the cost of capital. As such, the final tax cut allowed small businesses to expense up to \$100,000 of new investment and accelerated business depreciation to 50 percent. Both measures were critical to overcoming the investment led downturn by reducing the cost of capital to firms.

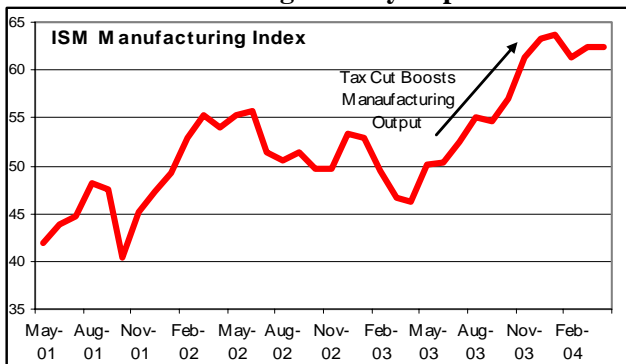
Business Investment Is Booming



Lower Cost of Capital Boosts Investment

Business investment is influenced by the cost of capital, which in turn is influenced in turn by interest rates and tax changes. With interest rates at a 40 year low, Congress took the initiative to lower the cost of capital even further by accelerating depreciation to reduce the marginal effective tax rate (METR) on new investment. Lower METRs encourage additional investment and ultimately higher living standards. The Treasury Department found accelerated depreciation lowered the METR on new equipment investment from 24.8 percent to 13.0 percent in 2003. Capital gains, dividend, and income tax reductions also reduced the cost of capital and thus investment is now averaging more than 10 percent growth per quarter since the tax cut was enacted.

Manufacturing Activity Explodes



Manufacturing Activity at Highest Level in 20 Years

Lowering the cost of capital for new investment reignited America's manufacturing activity. Following the tax cut, an explosion of new capital investment requests were made and companies were not able to keep up with the demand for new purchases. As such, companies selling the equipment were forced to ramp up productions first with existing resources, next with temporary workers, and finally by hiring new workers. Manufacturing activity is at its highest level in more than twenty years and jobs are being created for the first time since 2000 in the industry. To keep the momentum going, Congress needs to extend the depreciation allowance as part of FSC/ETI.

The American Shareholders Association is a non-partisan, not-for-profit organization dedicated to analyzing legislation affecting stockholders. To educate U.S. investors, ASA reports the public positions of elected representatives on these issues to its members. For more information please contact Daniel Clifton at (202) 549-7803 or by email at dclifton@atr.org