

National  
Grain and Feed  
Association



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## **U.S. Grain Industry Urges Congress to Complete Work on Corporate Tax Bill to Make U.S. WTO-Compliant**

WASHINGTON – The nation’s two major grain organizations have urged Congress to complete work this week on legislation that would provide corporate tax relief for agricultural and other manufacturing sectors, as well as repeal the Foreign Sales Corporation/Extraterritorial Income tax (FSC/ETI) break previously ruled illegal by the World Trade Organization (WTO).

The legislation being considered by a joint House-Senate conference committee would rectify the negative impact of the 12 percent punitive tariffs imposed by the European Union (EU) on a wide variety of U.S. agricultural products after the WTO ruled that the FSC/ETI tax break constituted an illegal export subsidy. The EU tariffs are scheduled to increase 1 percent monthly until reaching 17 percent in March 2005, unless the FSC/ETI tax break is repealed.

The National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA) voiced support for the corporate tax relief bill, which among other things would reduce the top corporate tax rate on manufactured goods – including manufactured agricultural products – from 35 percent to 32 percent. The legislation also sends an important signal that the United States will play a leadership role in adhering to its WTO commitments, the NGFA and NAEGA said.

“Passing this legislation would reinforce the U.S. commitment to abide by WTO rulings, and set a positive example for the world when the United States finds itself in the position of challenging unfair trade practices of other countries,” wrote NGFA President Kendell W. Keith and NAEGA President Gary C. Martin in a joint statement.

The NGFA-NAEGA statement was submitted to the leaders of the House-Senate conference committee: House Ways and Means Committee Chairman Bill Thomas, R-Calif., and ranking member Rep. Charles Rangel, D-N.Y.; and to Senate Finance Committee Chairman Charles Grassley, R-Iowa, and ranking member Sen. Max Baucus, D-Mont.

The two organizations also urged the conference committee to adopt a provision included in the Senate-passed version of the bill that would provide a tax credit for investments in short-line railroad infrastructure improvement projects. Specifically, the provision would provide a tax credit of 30 cents per dollar of private-sector investment, with a cap of \$3,500 per year per mile to upgrade track, bridges and other infrastructure to accommodate 286,000-pound rail cars, the current rail industry standard. A similar bill with a more generous tax credit for short-line rail improvements previously had been introduced in the House with more than 260 cosponsors.

“Supporting a tax credit for short-line railroads is critical as they struggle to meet investment needs to upgrade their tracks and other infrastructure to support the current shipping volumes,” the NGFA and NAEGA said, noting that many tracks were left in poor condition when they were abandoned years ago by Class I railroads. The two organizations also noted the significant gap between the short-line rail industry’s estimated annual revenues of \$2.8 billion and the estimated \$7 billion needed to upgrade short-line infrastructure.

“The current competitive global trading environment demands cost-effective and cost-efficient infrastructure,” the NGFA and NAEGA said. “Providing this tax credit for short-line rail investment will assist U.S. agriculture in meeting those global demands, as well as help get farm products to market domestically.”

The NGFA, established in 1896, consists of 1,000 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than two-thirds of all U.S. grains and oilseeds. The NGFA’s membership encompasses all sectors of the industry, including country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 36 affiliated state and regional grain and feed associations, as well as two international affiliated associations. The NGFA has strategic alliances with the Pet Food Institute and the Grain Elevator and Processing Society; and is co-located, and has a joint operating and services agreement, with NAEGA.

NAEGA, established in 1912, is a not-for-profit trade association comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA-member companies ship practically all of the bulk grains and oilseeds exported each year from the United States. The Association's mission is to promote and sustain the development of commercial export of grain and oilseed trade from the United States. NAEGA acts to accomplish this mission from offices in Washington D.C., and in markets throughout the world.