
Manufacturers Lead Tennessee’s Economic Growth

What is the Single Sales Factor? With the recent uptick in business tax collections fueling revenue surpluses for our state budget, adopting a permissive Single Sales Factor plan would promote economic development across the state by enhancing the competitiveness of Tennessee’s franchise and excise tax laws on manufacturing employers. Current law requires that a manufacturer’s business tax liability be assessed based on a 3-factor combination of its property, payroll, and sales. The Single Sales Factor would remove the state tax assessments on property and payroll and instead focus solely on a manufacturer’s sales, thereby eliminating the current tax penalties on local jobs and capital investment in our state.

Why is it needed? As many of Tennessee’s regional neighbors have adopted some form of Single Sales Factor tax policy, it is critical that we stay economically competitive to avoid a geographic drain of jobs and private investment. Georgia, South Carolina, Mississippi, Louisiana, Missouri, North Carolina and Virginia all permit some form of Single Sales Factor tax assessment on businesses. Comparatively, Tennessee’s current franchise and excise tax laws offer a disincentive for manufacturers to locate within or expand their job and capital investments in our borders, leaving many of these high-quality employers to look to other states to grow their operations.

Moreover, no other sector contributes more to driving widespread economic growth across a broad spectrum of industries than manufacturing. In fact, Tennessee was recently ranked by market researcher IHS/Paychex as the top state in the nation for small business job growth due to expansions by major manufacturing employers in our state. Not only does this job growth offer more employment opportunities for Tennesseans and expand local tax bases, but with an average employee earning roughly $67,456 per year compared to $44,102 for all other non-farm businesses, the manufacturing industry is also elevating the standard of living for both urban and rural families. With over 331,000 employees across the state and accounting for over $51 billion worth of economic output, no other private sector in Tennessee has the singular capability to improve economic conditions for more Tennesseans than manufacturing.
MANUFACTURING FACTS:

- For every $1.00 spent in manufacturing, another $1.81 is added to the surrounding economy. That is the highest multiplier effect of any economic sector. Moreover, for every one worker added in manufacturing, there are roughly four additional employees hired in other adjacent industries (Source: NAM calculations using IMPLAN).

New research further suggests that manufacturing’s impacts on the economy are even larger if the entire manufacturing value of the adjacent industries’ supply chains is also taken into consideration. That approach estimates that manufacturing could account for up to one-third of GDP and employment. It also appraises the total multiplier effect for manufacturing to be $3.60 for every $1.00 of value-added output, with one manufacturing employee generating another 3.4 workers elsewhere (Source: Manufacturers Alliance for Productivity and Innovation).

- The vast majority of manufacturing firms in the United States are quite small. For Tennessee, there are over 5,300 manufacturing firms across our state. For the U.S. in 2014, there were 251,901 firms in the manufacturing sector, with all but 3,749 firms considered to be small (having fewer than 500 employees). In fact, three-quarters of these firms have fewer than 20 employees (Source: U.S. Census Bureau, Statistics of U.S. Businesses).

- Manufacturers have one of the highest percentages of workers who are eligible for health benefits provided by their employer. Indeed, 92 percent of manufacturing employees were eligible for health insurance benefits in 2015, according to the Kaiser Family Foundation. This figure is significantly higher than the 79 percent average for all firms. Of the eligible population, 84 percent actually participate in their employer’s plans (the take-up rate). Three are only two other sectors – government (91 percent) and trade, communications and utilities (85 percent) that have higher take-up rates (Source: Kaiser Family Foundation).

- Taken alone, manufacturing in the United States would be the ninth-largest economy in the world. With $2.1 trillion in value added from manufacturing in 2014, only eight other nations (including the U.S.) would rank higher in terms of their gross domestic product. (Source: Bureau of Economic Analysis, International Monetary Fund)

See more at: http://www.nam.org/Newsroom/Top-20-Facts-About-Manufacturing/#sthash.gM7YOJuB.dpuf