



Summary of Policy Recommendations to Stimulate U.S. Manufacturing Innovation

The following summarizes proposals from ITIF's report Policy Recommendations to Stimulate U.S. Manufacturing Innovation.

Manufacturing Competitiveness Analysis and Strategy

- Congress should introduce legislation requiring presidential administrations to quadrennially develop a renewed U.S. manufacturing strategy.
- Congress should charter the creation of a new traded sector analysis unit within the Department of Commerce.
- Congress should provide grants of up to \$300,000 per state—with a 2:1 federal-state matching requirement—to assist U.S. states with the development and execution of state-level manufacturing strategies.
- Congress should allocate \$50 million annually to support both the Defense Manufacturing Communities Support Program (DMSCP) and Investing in Manufacturing Community Partnership (IMCP) initiatives.
- Congress should create a comprehensive U.S. innovation and competitiveness package funded with at least \$2.5 billion.

Promoting Technology Development and Diffusion

- Congress should authorize \$1 billion over five years to double the size of the Manufacturing USA network.
- Congress should give the Secretary of Commerce the ability to designate as members of Manufacturing USA organizations that are substantially similar to existing institutes.
- Congress should eliminate the automatic five- to seven-year federal funding sunset for Manufacturing USA institutes, replacing it with a five-year metrics-based review program.
- Congress and presidential administrations should increase the Manufacturing Extension Partnership's (MEP) funding to \$200 million annually and increase it annually at the rate of nominal GDP growth.
- MEP should develop more cross-state, sector-based MEP initiatives.
- MEP should develop and make nationally available "Digital Manufacturing and Design Maturity" and "Cybersecurity Maturity" assessment tools.
- Congress should increase annual funding for the Engineering Research Center (ERC) and Industry/University Cooperative Research Centers (I/UCRC) programs to at least \$100 million and \$50 million, but preferably to \$250 million and \$100 million, respectively.

Bolstering Financial Support Mechanisms to Stimulate Manufacturing Innovation

- Congress should pass the Small Business Innovation Voucher Act, creating a national innovation voucher program supporting SME manufacturers' R&D and technology commercialization activities.
- Congress should create a 401(K) program for SME manufacturers allowing them to place up to \$1 million into tax-deferred accounts to support future investment.
- Congress should create a "U.S. Manufacturing Digitalization Investment Fund" that provides repayable, low-interest loans to SME manufacturers to help finance upfront investment in digital manufacturing technologies.
- Congress should authorize a Federal Loan Guarantee for Innovative Technologies in Manufacturing Program and appropriate at least \$150 million, though preferably \$250 million, annually to it.
- Congress should reform U.S. Small Business Administration (SBA) Section 7(a) lending practices by directing more funding to manufacturers and increasing the maximum 7(a) loan guarantee rate for manufacturers to 90 percent.
- Congress should introduce a Scale-Up Manufacturing Investment Company (SUMIC) Act.
- Congress should expand the remit of the Export-Import (Ex-Im) Bank to use \$20 billion in unobligated authority to lend directly to domestic manufacturing companies that are in competition with subsidized foreign competitors.
- Congress should establish a reshoring incentive fund to provide financial support for firms in critical industries to relocate production now in China to the United States.

Strengthen Tax Incentives to Stimulate Manufacturing Innovation

- Congress should enact an investment tax credit (ITC) providing a 25 percent credit on all capital expenditures made above 75 percent of a base amount.
- Congress should make the R&D tax credit more generous by building on the 2017 tax bill by doubling the Alternative Simplified Credit (ASC) to 28 percent.
- Congress should introduce a collaborative tax credit, allowing firms to take a flat credit of 20 percent for all collaborative research undertaken in conjunction with universities, research institutes, federal laboratories, or multi-firm consortia.

Support Manufacturing Workforce Education and Skills Development

- Congress should commit to at least a three-fold increase in funding for active labor market training and retraining programs.
- Policymakers in both federal and state governments should adjust funding programs to reduce gaps in support between students attending four-year universities and two-year community colleges.
- Congress should designate minimum standards for the establishment of two-year, advanced manufacturing-focused community college programs and establish a \$100 million fund states could draw from to develop such institutions.
- Congress and the administration should work to increase credentialing for manufacturing industry workforce members by expanding the use of standards-based, nationally portable, industry-recognized certifications.
- Congress should expand Section 127, which provides tax benefits for employer-provided tuition assistance, especially because the eligible amount (\$5,250 per year) has not increased since 1996.
- Congress should consider turning the R&E credit into a knowledge tax credit by allowing qualified expenditures on both R&D and workforce training to be taken as a credit and expanding the rate from 14 percent to at least 20 percent.
- Congress should significantly broaden the Manufacturing Engineering Education Program, providing at least \$100 million in funding and establishing programs at 20 universities.
- Congress should expand funding for the Advanced Technology Education (ATE) program, doubling it to at least \$150 million annually.