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**2021 SPRING  
INSTITUTE MEETING**  
**Bonita Springs, Florida**  
**May 15-17**

Please mark your calendars for the  
**2021 Spring Institute Meeting at the Hyatt  
Regency Coconut Point Resort & Spa in  
Bonita Springs, Florida from May 15-17.**

Registration is open and more information  
can be found [here](#).

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Bret Tayne

## USCTI President's Message

To my fellow USCTI members and sponsors:

Now that COVID vaccinations are available, and there seems to be some light at the end of the tunnel, it is critical for us to formulate strategies for coming out of the pandemic period. In the last issue of The Cutting Tool Informer, I suggested that it won't be long before we are back to normal. However, the pandemic, along with other developments, may have opened the door to political mandates that are changing the industrial landscape more permanently.

I had high hopes that we would be able to meet last fall. Of course, in spite of the best efforts of the programs committee and Thomas Associates, we were unable to attract enough participants. So, for the first time in 18 months, we plan to meet in person in May—at the Hyatt Regency Coconut Point in Florida. In recognition of the financial strain that resulted from COVID, the Board of Directors has reduced the meeting fees in an effort to have as many members as possible attend the meeting. I can't imagine a more critical time for us to share our thoughts about the direction of our industry and to integrate our conclusions into our business plans. We also have scheduled Richard Aboulafia of Teal Group as a speaker and participant; he will share his views about where the aviation industry is headed. This is an industry segment that is, directly or indirectly, a significant share of many of our businesses. I hope that all of our members and sponsors will take advantage of this opportunity to get together again, share our thoughts, and hear from industry experts.

After a bit of a hiatus toward the end of last year, our Officers, Board of Directors, and committees have resumed searching for ways to enhance the value proposition of USCTI membership. The statistics committee is exploring various methods and formats to improve the usefulness of our data. Drew Strauchen, our new technical committee chairman, has resumed his quest for ideas to improve the relevance of that committee. Our scholarship committee is in the process of reviewing applicants for our second annual scholarship award. And our long-range planning committee is in the process of organizing its next meeting, where we will focus on the developing environment as well as continue to build the association's value proposition.

I look forward to seeing all of you again in Florida.

*Bret Tayne*  
*Everede Tool Co.*

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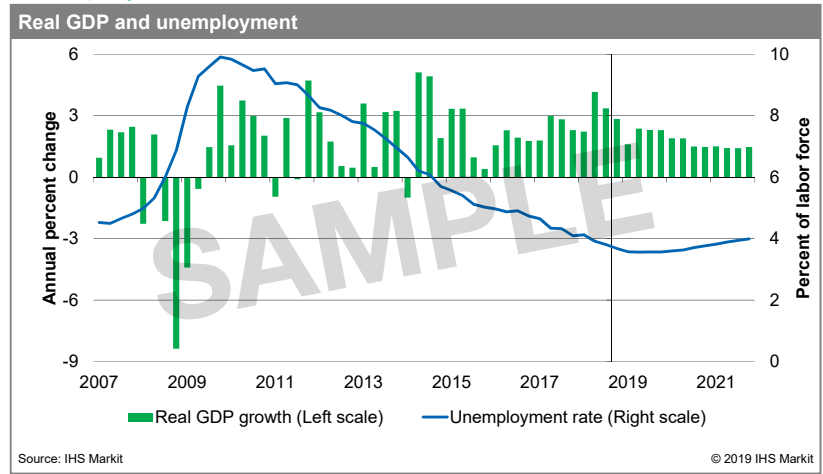
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## Statistics Committee Update

As a reminder, please submit your data on time so reports can be distributed in a timely manner while data is still relevant. Currently, 46 members are participating in the monthly USCTI Program. Our goal is for 100% of membership to participate. If you currently are not, you are missing out on relevant information that could benefit your company, especially during challenging times. You are also missing the opportunity to receive the Quarterly IHS Markit report and to attend the WebEx in conjunction with AMT. For those who do participate, remember the next IHS Markit Quarterly Forecast WebEx will take place on Tuesday, April 27, at 2 p.m. Eastern Daylight Time.

The US economic expansion will continue, pushing the unemployment rate down to a low of 3.5% in 2019



The first joint report with AMT in the new format has been distributed. We hope that by including the rolled up categories that were not previously reported on, you will find more value in the overall data.

As always, if you have enhancements you would like to see or additional information that would be valuable, please reach out to the USCTI office.

*Brian Norris, Statistics Committee Chairman  
 Dormer Pramet*

## Technical Committee Update

The Technical Committee has been working to provide additional resources to USCTI members. This includes potential revisions to the Technical Resources section on USCTI's website to accommodate technical articles from member companies—further enhancing USCTI as a thought leader and expanding membership exposure to U.S.-based manufacturers.

Standards work continues, including outreach to external members of the ANSI committee regarding updates to existing threading standards. They also continue to work on revisions to NAS987—Reamers, Chucking, RHC 0.0938-1.5", including outreach to member companies about technical issues specific to the standard.

*Drew Strauchen, Technical Committee Chair  
 GWS Tool Group*

### We Need Your Ideas

The USCTI Technical Resource Center is an excellent source for a vast array of technical information on cutting tools, surface coatings, and materials. The Technical Committee utilizes the Resource Center to broadcast additional information and updates on a continuing basis. However, we would love to have further input and ideas from membership to help make the Resource Center a useful hands-on tool for new cutting tool engineers coming into our industry. Please send your ideas and input to [uscti@uscti.com](mailto:uscti@uscti.com). Additional white papers would be welcomed and are much appreciated.

## 2020 Fall Business Outlook Survey

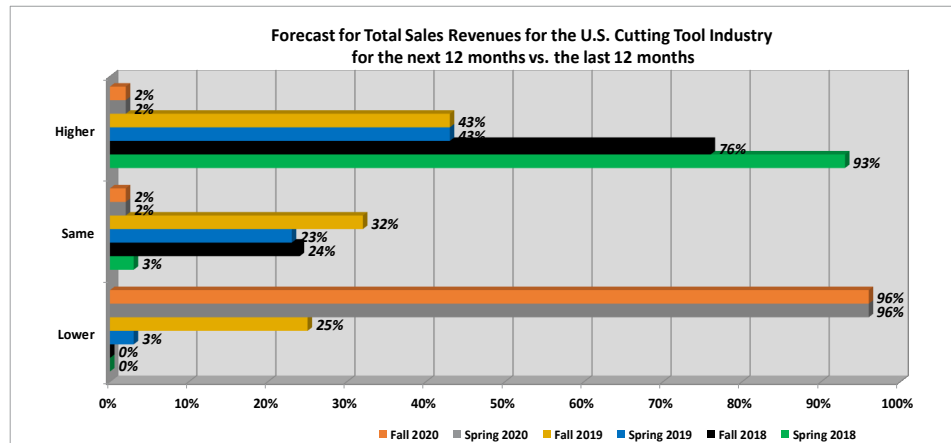
As expected, results from the Fall 2020 Business Outlook survey continued to be negative across the board. At the same time, participation in the survey dropped to 42 responses (from 39 member companies) from the spring 2020 high of 52. Highlights from the survey include:

As with the spring 2020 survey, only 2% of the fall 2020 survey respondents (compared with 43% of fall 2019 respondents) thought that the forecast for total industry sales revenues for the next 12 months would be higher than those for the previous 12 months. For individual member companies, zero companies reported higher sales revenues (compared with 2% in spring 2020 and 50% in fall 2019).

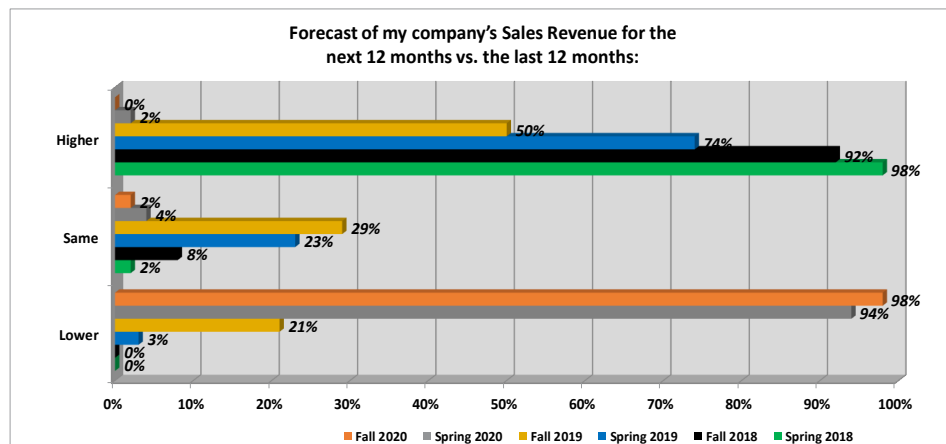
Employment levels also dropped significantly, with 65% of respondents noting that employment levels were lower than in spring 2020. Sixty-two percent of respondents noted that their exports were lower than those in the same quarter the previous year, with 52% noting the same in the spring.

In light of the dramatic changes over the past year, it's more important than ever for all members to participate in the spring 2021 survey, which will be discussed during the Spring Institute Meeting. The results can benefit all members.

### Industry Forecast



### Company Forecast





## USCTI Meetings

### Future Meeting Dates

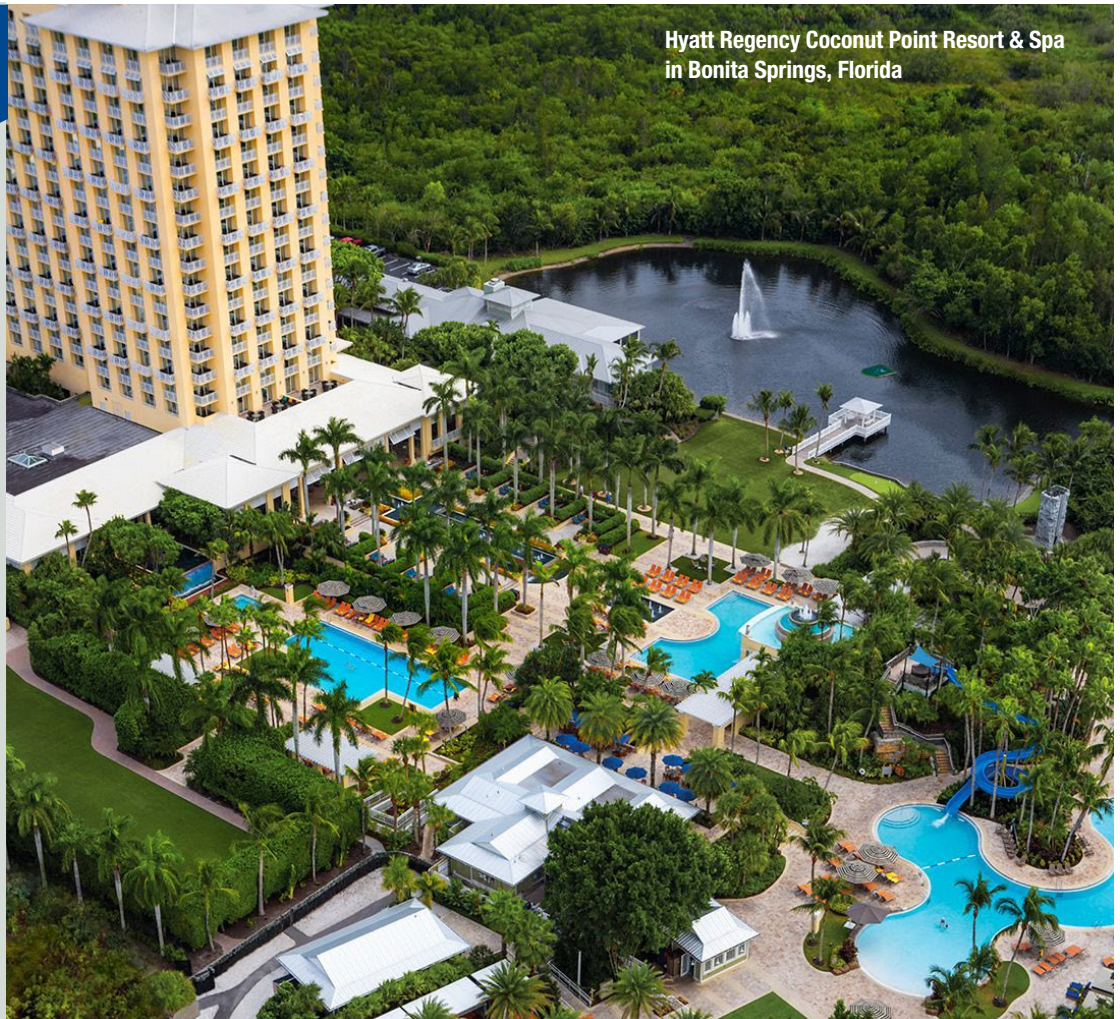
Be sure to mark your calendar for the upcoming Institute meetings, which are scheduled as follows:

### 2021 Spring Meeting

May 15 - 17, 2021  
The Hyatt Regency  
Coconut Point  
Bonita Springs, Florida

### 2021 Fall Meeting

October 16 - 18, 2021  
Lowes Hotel 1000  
Seattle, Washington



Hyatt Regency Coconut Point Resort & Spa  
in Bonita Springs, Florida

## Message from the Programs Committee

As everyone knows, 2020 was a memorable year that we all want to forget. The USCTI's in-person Spring and Fall Meetings were cancelled and held virtually. As we headed into 2021, we were faced with several difficult decisions: Should we have a face-to-face spring meeting? If so, should we stay with the Greenbrier venue? If not, where should we go?

We decided to hold a face-to-face meeting, feeling that it was important to attempt to get back to some form of normalcy. However, we felt it best to postpone the originally scheduled meeting at the Greenbrier due to current restrictions put in place due to COVID-19. We opted for a slightly abbreviated spring 2021 meeting at the Hyatt Regency Coconut Point Resort and Spa in Bonita Springs, Florida. (The World Cutting Tool Conference scheduled to take place in Japan in spring 2022, has been postponed, allowing us to schedule the Greenbrier meeting for spring 2022.)

The goal of this spring's meeting is to network as much as possible. We will have speakers, but we want to make sure we allow for plenty of time to discuss what member companies have done and are doing to get through these unprecedented times. The shortened meeting will start with a reception on Saturday evening, May 15, and it will end after morning sessions on Monday, May 17. The idea was to keep expenses to a minimum.

If you haven't already signed up, we hope you will consider joining us for this meeting. Remember that member registration is \$550 for this meeting, and your spouse or significant other can join you at no additional cost.

Sincerely,

*Mike Stokey*  
Programs Committee Chairman



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# Legal Update

## Preparing for Biden Administration Tax Changes

With Congress' recent passage of the Biden Administration's \$1.9 trillion coronavirus relief package, the focus in Washington, D.C., is shifting to a second budget reconciliation bill—Biden Administration tax changes. The tax changes are expected to be substantial and far-reaching and to include corporate, individual, and capital gains tax rate increases; international tax changes; and estate- and gift-tax changes.

## Expected Timing of Biden Administration Tax Changes

Congressional committees in the Democrat-controlled House and Senate are already working on tax and budget proposals that will become part of a second budget reconciliation bill. President Biden's fiscal year 2022 budget is expected to be released in mid to late April, at which point the House and then the Senate will craft and approve a budget resolution to serve as the vehicle for the reconciliation process. Most expect committee action to begin in early May, with ultimate enactment in the fall. Only 51 votes are needed to pass budget reconciliation legislation in the Senate. The effective dates of the newly enacted provisions generally are expected to be Jan. 1, 2022, but certain provisions may have proposed effective dates tied to committee action or the date of enactment (for example, capital gains tax rate increases may be proposed to apply to sales

*The tax changes are expected to be substantial and far-reaching and to include corporate, individual, and capital gains tax rate increases; international tax changes; and estate- and gift-tax changes.*

occurring after the date of committee action in early October or the date of enactment of the legislation later in the fall). The effective dates of certain provisions may be phased in over time, and certain provisions may be enacted on a temporary basis to help keep the scored cost of the legislation within acceptable parameters.

Depending on a taxpayer's specific facts and circumstances, significant tax savings may be achieved by taxpayers who anticipate these expected tax changes and take steps now regarding their business plans, transactions pipelines, restructurings, operational affairs, and estate plans in a manner that takes advantage of existing tax provisions and rates. This article addresses only a fraction of the tax changes expected to be enacted in the fall of 2021 (fiscal year 2022 budget reconciliation legislation), with a focus on those changes

most relevant to 2021 planning opportunities for companies and individuals who previously may not have had any reason to undertake actions this year as opposed to future years.

## Expected Corporate Tax Rate Increases and Related Changes

Corporate tax rates are expected to increase from 21% to 28%, and the Section 199A pass-through deduction is expected to become unavailable for taxpayers earning in excess of \$400,000. NOL carrybacks would be prohibited for tax returns not yet filed. The Biden Administration also is proposing:

- A 15% so-called "minimum tax" on book profits in excess of \$100 million.
- Doubling the Global Intangible Low-Taxed Income (GILTI) tax rate from 10.5% to 21% and imposing it country-by-country and with no exclusion (or a lesser exclusion) for a deemed return on tangible assets.
- Imposing an "offshoring penalty" surtax on U.S. company offshore production profits for sales back into the United States (A 10% surtax leading to a 30.8% effective tax rate would also apply, for example, to offshore services or call centers serving the United States).
- Denying all deductions and expensing write-offs for moving jobs or production overseas.
- Establishing a 10% advanceable "Made-in-America" tax credit for certain service or call-center jobs brought back to the United States.
- Providing or expanding tax credits and incentives for manufacturing, renewable energy, carbon capture, and small businesses.
- Repealing fossil fuel tax preferences.
- Eliminating deductions for consumer drug advertising.
- Repealing the increase in bonus depreciation from 50% to 100%.

*continued on page 7*



continued from page 6

Certain of these proposals are not yet well defined and may be difficult to draft and administer. Others may be achieved only in part. (For example, there may not be support to increase the corporate tax rate to as high as 28%.) All of the proposals are relevant in the sense that they provide insight into what the 2021 reconciliation bill may attempt to achieve. Changes in Social Security taxes, the minimum wage, and many other Biden Administration or congressional proposals do not qualify for consideration as part of budget reconciliation legislation.

### **Expected Changes to Existing Timeline for Certain Tax Cuts and Jobs Act Provisions**

Many of the items contained in the 2017 Tax Cuts and Jobs Act that currently are set to change or expire in the coming years—for example, requirements that research and development costs not be deducted but instead be amortized over a five-year period beginning in 2022, and that the deduction for business net interest expense be limited to 30% of EBIT (not EBITDA) beginning in 2022—are expected to be addressed in the budget reconciliation package this fall.

### **Expected Capital Gains and Dividend Tax Rate Increases for High-Income Individuals**

Capital gains and dividend tax rates are expected to increase for certain high-income taxpayers from their current level of 23.8% (a 20% tax rate plus the 3.8% tax on net investment income) to 43.4% (the expected higher ordinary income tax rate of 39.6% plus the 3.8% tax on net investment income). The higher rates are expected to apply to taxpayers with adjusted gross income in excess of one million dollars, though that threshold could be as low as income in excess of \$400,000. This expected change would tax high-income individual taxpayers on their long-term capital gains and qualified dividends at the same rate as short-term capital gains and ordinary dividends.

### **Expected Individual Tax Rate Increases and Changes**

Individual tax rates are expected to increase from their current level of 37% to 39.6% for individuals earning more than \$400,000. The Section 199A pass-through deduction, which allows certain pass-through business owners to deduct up to 20% of their qualified business income (leading to a current-law marginal rate of 29.6%), is expected to become unavailable to taxpayers with income in excess of \$400,000. It also may be changed in additional ways that would raise federal revenue. The \$10,000 cap on state and local tax deductions is expected to be repealed and replaced with limitations on itemized deductions (i.e., phase-outs, a 28% cap on the value of itemized deductions, etc.) for taxpayers earning in excess of \$400,000. Child tax credits are expected to be increased and otherwise expanded. A first-time homebuyer's credit of \$15,000 also is proposed.

*Significant tax savings may be achieved by taxpayers who anticipate expected tax changes and take steps regarding their business plans, transactions pipelines, restructurings, operational affairs, and estate plans in a manner that takes advantage of current tax provisions and rates.*

### **“Securing a Strong Retirement Act” Provisions**

Many of the items contained in the Ways & Means Committee's bipartisan “Securing a Strong Retirement Act” (automatic enrollment in company 401(k) plans, increase in Saver's Credit, increase in minimum-distribution age to 75, allowing student loan pay-downs and employer matching in lieu of 401(k) contributions, increasing allowed contributions by individuals age 60 and older, etc.) are expected to be included in the fall 2021 budget reconciliation bill or otherwise enacted in 2021.

### **Expected Carried Interest and Like-Kind Exchange Changes**

Profits from carried interest are expected to be further targeted for taxation at ordinary income tax rates. The like-kind exchange rules are expected to be repealed in their entirety.

### **Expected Estate and Gift Tax Increases and Changes**

The estate tax and lifetime gift tax exemption (which was temporarily doubled until 2025) currently is \$11.7 million per person (\$23.4 million for married couples). In addition, there is an exclusion for the first \$15,000 gifted to each other person (\$30,000 gifted to each other person together by spouses). The current estate tax rate on amounts in excess of the exemption amounts is 40% and basis of inherited assets are “stepped up” to their fair market value upon death of the decedent. The Biden Administration is expected to raise the estate tax rate to 45% and to return the exemption amounts to their pre-TCJA level (\$5.3 million per person; \$10.6 million for married couples) or less. Tax basis of inherited assets are expected to have carry-over, rather than stepped-up basis. Portability of exemption amounts between spouses is expected to continue.

### **Expected Additional Clarifications, Details, and Changes**

As Biden Administration and congressional work continues on the tax and budget proposals expected to become law in the fall of 2021 as part of the second budget reconciliation bill, clarifications and details regarding the various proposals will emerge. Some of the initial proposals may be abandoned and new and additional proposals will emerge. As noted above, depending on a taxpayer's specific facts and circumstances, significant tax savings may be achieved by taxpayers who anticipate expected tax changes and take steps regarding their business plans, transactions pipelines, restructurings, operational affairs, and estate plans in a manner that takes advantage of current tax provisions and rates.

*This article was written by Jeffrey H. Paravano and the BakerHostetler Tax Group. Mr. Paravano, a partner of BakerHostetler, serves as Chair of the firm's Tax Group. BakerHostetler serves as antitrust counsel to the United States Cutting Tool Institute. This article is intended to inform clients and other friends of the firm about current legal developments of general interest and should not be construed as legal advice. Readers should not act upon the information contained in this article without professional counsel.*



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