



2022 FALL INSTITUTE MEETING

The Broadmoor
Colorado Springs, Colorado
October 29 - 31

Registration is open until September 28, and more information can be found [here](#).

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FUTURE MEETING DATES

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

2023 Spring Meeting

May 13-15, 2023
Kiawah Island Golf Resort
Kiawah Island, SC

2023 Fall Meeting

October 14-16, 2023
Hilton Luxury Collection Hotel
Seattle, WA

2024 World Cutting Tool Conference

May 21-24, 2024
Tokyo, Japan

USCTI Welcomes New Member:



1301 Bowes Road, Suite A
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Phone: 847-289-1055
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URL: www.schwanog.com

Please contact the USCTI office if you know of a company that would benefit from membership.



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USCTI President's Message



Jeff Major

It's hard to believe we are three-quarters through the year. It's been a long road to recovery for society and business, but we have persevered. Supply chain issues are easing, but some of the challenges of the pandemic still exist. Employee hiring and retention remain problematic. The war in Ukraine is still a world concern.

The manufacturing PMI still indicates expansion, but the concern of a recession still looms. Interest rate hikes by the Fed have affected borrowing, especially in home mortgages. This has stunted the homes sales bubble that has been going on the last few years. Fuel prices have come down since mid-summer and overall raw material costs have stabilized, which has been a bright spot. Despite this, overall business expenses remain higher.

Fortunately, our industry remains strong. Forecasts project manufacturing to be healthy for the balance of 2022. A falloff from these recent growth trends is expected for 2023 and 2024, but business is still projected to be above prior years, respectively. The aerospace and automotive markets are anticipated to be leading market segments.

Our next institute meeting is scheduled for October 29-31 at The Broadmoor in Colorado Springs. Our keynote speaker will be Mike Steinbock from Haas CNC/Automation, Inc. Other speakers are Joseph McCabe from AutoForecast Solutions, LLC, and Tonya Bodell from Energyzt. We'll also have a full slate of social activities.

USCTI committees continue to identify new areas to add value to the institute. New member acquisitions are a key focus. This initiative is being driven by Brent Williams and a group of other members. Please convey any potential member companies to Brent or the USCTI office.

I look forward to seeing everyone in Colorado Springs in October!

Jeff Major, USCTI President
Greenfield Industries

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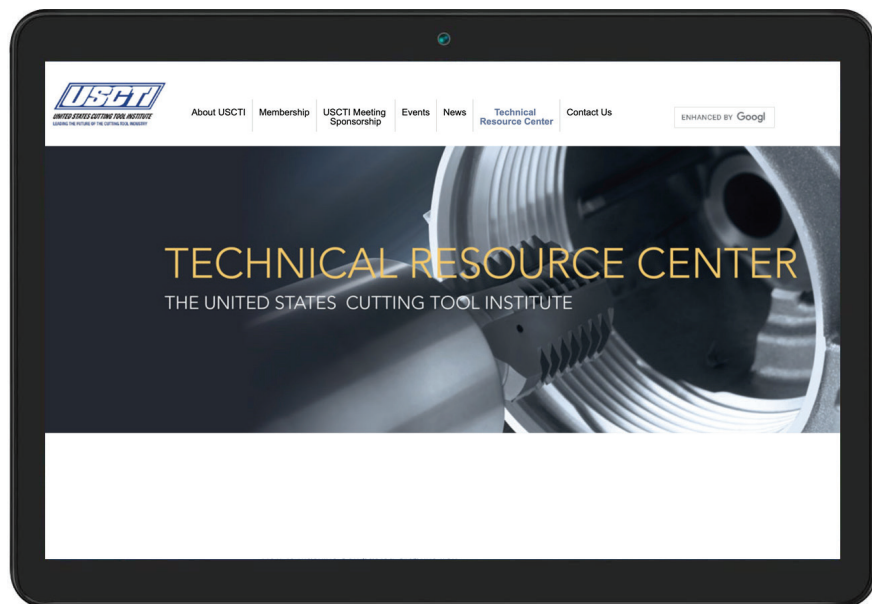
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Technical Committee Update

Please visit USCTI's [Technical Resource Center](#) on our website for a variety of downloadable technical information submitted by member companies. If you have technical papers we can brand for USCTI (attributing the member company), please send them to the USCTI office at uscti@uscti.com.

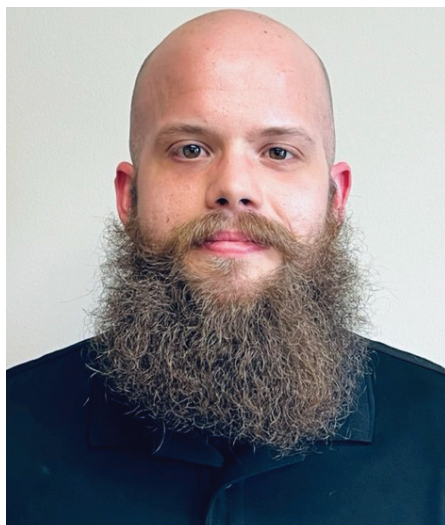
Drew Strauchen, Technical Committee Chair
GWS Tool Group



USCTI Congratulates Our 2022 Scholarship Recipient:

Nicolas Barnes,
Everede Tool Company

Please be sure to promote the 2023 Scholarship Program during Manufacturing Day and at any local area schools. More information, including the application, can be found [here](#).



Statistics Committee Update

USCTI has provided new resources in 2022 to benefit our members who participate in the statistics program. These include quarterly raw materials updates and, most recently, the addition of a book-to-bill ratio into the monthly current business report.

USCTI co-sponsored a breakfast at the International Manufacturing Technology Show (IMTS) with the Association for Manufacturing Technology (AMT). It included a cutting tool forecast from partner IHS Markit and a roundtable discussion with a panel featuring USCTI and AMT leadership. We are currently working to update the quarterly cutting tool forecast to make it even more valuable to participating members.

If you are not participating in statistics, please contact the USCTI office to obtain access to the secure online reporting portal.

Brian Norris, Statistics Committee Chair
Dormer Pramet



IMTS 2022 Eggs & Data Breakfast

2022 Spring Business Outlook Survey

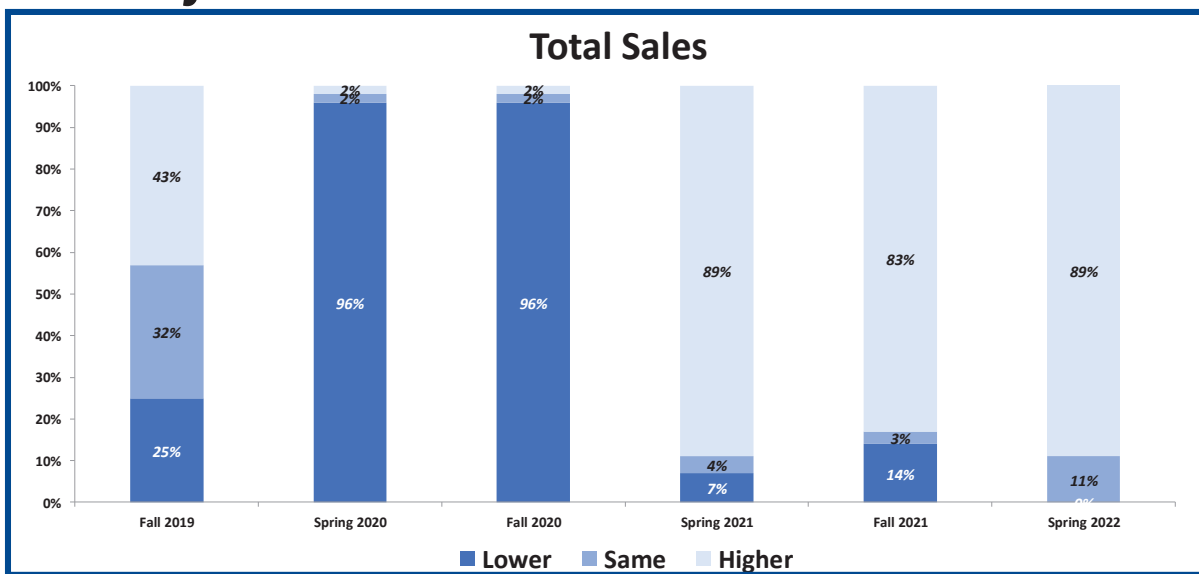
34 member companies responded to the Spring Business Outlook Survey. Highlights from the survey include:

- 97% of respondents forecasted higher sales revenue for the next year compared with only 87% in Spring 2021.
- Price of raw materials was reported as higher by 95% of respondents compared with only 75% of respondent in Spring 2021.
- 78% of respondents noted that lead times were higher than the previous quarter compared with only 54% reporting in the same quarter for 2021.

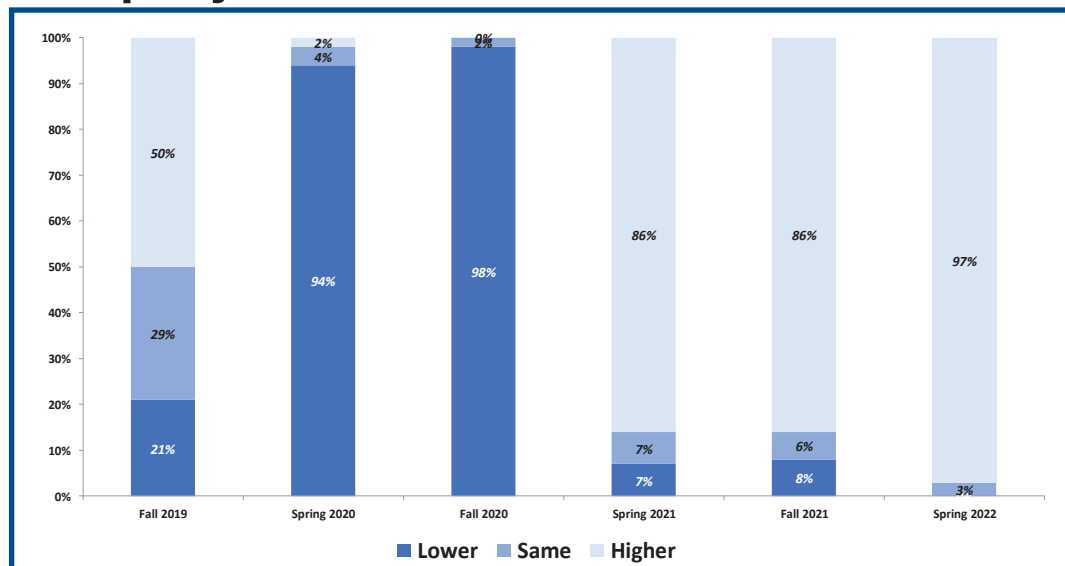
- Comments noted the continued challenges with supply chain, labor, and uncertainty in the markets.

Please take the time to fill out the Fall Business Outlook survey which will be distributed soon, with the results shared at the Fall Institute Meeting in Colorado Springs.

Industry Forecast



Company Forecast



Message from the Programs Committee

Our Spring 2022 meeting held at The Greenbrier was quite the success, and we hope you don't miss the Fall Meeting at The Broadmoor in Colorado Springs, from October 29-31. As always, we have a great slate of speakers, a roundtable and networking, and of course, time to enjoy all that Colorado Springs and The Broadmoor have to offer. Please [register](#) by September 28!

The Programs Committee has been busy this year providing additional opportunities for members including the HSS Course and Crucible Tour in May and the upcoming

Business Succession Webinar in October. We value your input and would like to know what other regional meetings may be beneficial to your companies or if there are specific webinar topics we can provide. Please contact me or the USCTI office at uscti@uscti.com with feedback.

On behalf of the Programs Committee, I hope to see you at The Broadmoor in October.

Mike Stokey, Programs Committee Chair
Allied Machine & Engineering



Crucible Steel Tour
May 2022



Fall 2022

The Broadmoor
Colorado Springs, CO
October 29-31, 2022



Spring 2023

Kiawah Island Golf Resort
Kiawah Island, SC
May 13-15, 2023



Fall 2023

Hilton Luxury Collection Hotel
Seattle, WA
October 14-16, 2023



2022 Spring Meeting at The Greenbrier

USCTI Family Business and Succession Planning Webinar

The Programs Committee is pleased to offer an upcoming webinar on Family Business and Succession Planning presented by Jean Meeks-Koch, PhD, CEO and Founder of Positively People. The presentation will be one hour long followed by a 30-minute Q&A.

Click [here](#) to register by Monday, September 26.

Legal Update



Inflation Reduction Act of 2022, Biden Administration's Tax, Climate and Health Proposal Becomes Law

Congress recently passed tax, climate, and healthcare legislation called the Inflation Reduction Act of 2022 ("IRA2022"). The legislation, passed along party lines, with Vice President Harris casting the tie-breaking vote in the Senate, is part of President Biden's previously announced economic agenda. The legislation raises approximately \$740 billion in revenue from numerous sources while spending approximately \$437 billion on climate initiatives and healthcare.

Key pieces of IRA2022 include:

- A 15 percent corporate minimum tax on adjusted book income
- A 1 percent excise tax on corporate stock repurchases
- Increased IRS funding of approximately \$80 billion over 10 years
- Hundreds of billions of dollars of tax credits and federal support for solar and green energy industries and other climate initiatives
- Availability to monetize tax credits by adding refundability and transferability options
- Directs Medicare to negotiate certain drug prices, caps Medicare Part D out-of-pocket expenses for seniors at \$2,000, and caps insulin costs for Medicare beneficiaries
- Superfund excise taxes on crude oil and certain imported petroleum products
- Funding for nonprofit programs and impact investments

15 Percent Corporate Minimum Tax on Adjusted Book Income

IRA2022 includes the revival of an alternative U.S. corporate minimum tax ("corporate AMT"), which generally is intended to subject certain U.S. corporations to a minimum tax of 15 percent on "adjusted financial statement income" (as opposed to adjusted taxable income) for tax years beginning after Dec. 31, 2022. This is a major new development in U.S. tax policy that is expected to significantly muddy the waters between financial statements, which are intended to clearly reflect corporate earnings for shareholders, and tax returns, which measure net taxable income.

The corporate AMT applies to U.S. corporations, other than S corporations, regulated investment companies (RICs) or real estate investment trusts (REITs), that have average annual adjusted financial statement income greater than \$1 billion for any applicable three-year period. In addition, U.S. subsidiaries of a foreign multinational enterprise would be subject to corporate AMT if the foreign-parented group has adjusted financial statement income greater than \$1 billion and the U.S. corporate group has average annual adjusted financial statement income greater than \$100 million. When applicable, a corporation's U.S. tax liability for a particular year would be either the

continued on page 7

Legal Counsel Updates

Members are encouraged to visit [BakerHostetler](#) for access to timely and informative updates from USCTI legal counsel on issues such as health care, employment law, patent law, etc.

continued from page 6

amount computed under the regular U.S. corporate tax or the amount computed under the corporate AMT, whichever is greater. The tax does not apply to nonprofit organizations unless they have \$1 billion of unrelated business taxable income.

One Percent Excise Tax on Certain Corporate Stock Repurchases

IRA2022 imposes a new excise tax on publicly traded corporations engaged in stock repurchases after Dec. 31, 2022. The tax is equal to 1 percent of the fair market value of the stock repurchased by the publicly traded corporation. The tax is not deductible for federal income tax purposes. The value of the repurchased stock subject to tax is reduced by the value of any stock issued by the publicly traded corporation in the same taxable year, including stock issued to employees of the publicly traded corporation.

Solar Credits and Support for Green Energy

IRA2022 includes hundreds of billions of dollars to boost the U.S. solar and green energy industries, along with \$30.6 billion in tax credits to accelerate U.S. manufacturing of solar panels in addition to batteries and critical minerals processing. Incentives aim to promote U.S. production of solar cells, photovoltaic wafers, solar grade polysilicon, polymeric backsheets, and solar panel support structures.

For residential solar, IRA2022 extends for 10 years the investment tax credit (ITC), including for solar products such as rooftop panels. Until 2032, consumers could claim a tax credit of 30 percent of their solar costs, dropping to 26 percent in 2033 and 22 percent in 2034. Overall, the 30 percent tax credit could save homeowners, on average, \$7,000 on a typical rooftop system. Home-use batteries connected to solar systems would see tax incentives effectively reducing their costs by 30 percent, too. IRA2022 extends (and in certain cases expands) a number of existing tax incentives, including those relating to carbon capture facilities, energy-efficient commercial buildings, energy-efficiency improvements to residential property, and credits for biodiesel and renewable and alternative fuels.

Monetization of Certain Credits - Refundability and Transferability

IRA2022 significantly changes the monetization of tax credits by adding refundability and transferability for certain taxpayers in certain situations. These options are expected to significantly reduce the complexity of clean energy financing in many cases.

Refundability – IRA2022 includes a “Direct Pay” provision that allows certain taxpayers to treat certain credits as refundable

overpayments of tax. The Direct Pay election is available more broadly to all taxpayers with respect to certain credits, including Section 45V clean hydrogen, Section 45Q carbon sequestration and Section 45X advanced manufacturing (solar), but generally for only the first five years, after which the credits become nonrefundable for such taxpayers.

Transferability – IRA2022 includes a transferability provision to generally allow certain taxpayers in taxable years beginning after Dec. 31, 2022, who do not elect the Direct Pay provisions of Section 6417, to transfer certain credits.

Superfund Excise Taxes on Crude Oil and Certain Petroleum Products

IRA2022 raises approximately \$25 billion of revenue over the 10-year budget window by reinstating Superfund excise taxes on crude oil received at a U.S. refinery and on petroleum products imported into the U.S. for consumption, use or warehousing. The excise tax on crude oil is 16.4 cents per barrel and is indexed for inflation. The new Superfund taxes will take effect Jan. 1, 2023. The previous Superfund tax on crude oil was 9.7 cents per barrel and expired in 1995.

IRA2022
SIGNIFICANTLY CHANGES THE
MONETIZATION OF TAX CREDITS
BY ADDING REFUNDABILITY AND
TRANSFERABILITY FOR CERTAIN
TAXPAYERS IN CERTAIN
SITUATIONS.

Funding for Nonprofit Programs and Impact Investments

IRA2022 implements numerous federal environmental policy initiatives through direct funding programs rather than tax deductions or tax credits. Nonprofits are eligible to apply for several of these programs for use in program-related activities and impact investments. These direct funding opportunities include:

- a greenhouse gas reduction fund to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies and to carry out other greenhouse gas emission reduction activities;
- funds for the conservation, restoration and protection of coastal and marine habitats, resources, Pacific salmon and other marine fisheries, and for projects that support natural resources that sustain coastal and marine-resource-dependent communities; and
- funds for environmental and climate justice block grants for, among other things, community-led air and other pollution monitoring, prevention and remediation, and investments in low- and zero-emission and resilient technologies and related infrastructure and workforce development that help reduce greenhouse gas emissions and other air pollutants.

This article, written by Joseph P. Boeckman, a partner in the Business Group of BakerHostetler, is a summary of an Alert issued by the BakerHostetler Tax Group. BakerHostetler serves as antitrust counsel to the United States Cutting Tool Institute.

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