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ARArental.org

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September 30, 2024

The Honorable Carol Miller, Chair
Supply Chain Tax Team
465 Cannon House Office Building
Washington, DC 20515

The Honorable David Kustoff, Co-Chair
Supply Chain Tax Team
560 Cannon House Office Building
Washington, DC 20515

Dear Chair Miller and Co-Chair Kustoff:

Attached please find a submission by the American Rental Association (ARA) to your Team regarding ARA's position on the corporate tax rate. If you have any questions or would like more information on our position, please do not hesitate to contact Matthew Hite at Matthew.Hite@ararental.org or John McClelland at John.McClelland@ararental.org.

Respectfully,

Matthew Hite

John W. McClelland, Ph.D.

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Corporate Tax Rates
Impacts on Independent Equipment and Event Rental Businesses

Background:

The American Rental Association (ARA) represents approximately 5,800 members in the equipment and event rental industry. The vast majority of ARA members are independent businesses, often family-owned and multi-generational. However, ARA also has large publicly traded companies as members. ARA estimates that 2024 revenues from the construction equipment and tool rentals will reach $78.7 billion. Event rentals will add between $5 billion to $10 billion to that total. By 2026, total industry revenues are expected to approach $100 billion. According to the U.S. Economic Census, these revenues make the equipment and event rental industry roughly on par with the electrical equipment manufacturing industry, the paint and coatings manufacturing industry, or the petroleum merchant wholesale industry.

Equipment and event rental companies make significant annual investments in new equipment. Based on information we have developed; ARA members own approximately $213 billion worth of equipment based on original equipment costs. ARA members' investments in the construction equipment and tool segment of the industry are approximately 27% of annual revenues. In 2024 equipment rental companies invested $21.0 billion in new equipment. ARA projects 2026 investments in new equipment to increase to $23.4 billion. Assuming similar investment shares for the event segment adds $1 billion to $2 billion in additional investment to those totals. This means that equipment rental companies are turning over a minimum of ten-plus percent of their rental fleets every year. Most of these investments are for purchases of equipment manufactured in the U.S. and thus support a significant number of jobs in the equipment manufacturing sector. In fact, the equipment rental segment of the industry owns about 60% of all construction equipment in place in the U.S. making the equipment rental segment as the primary sales channel for U.S. equipment manufacturers.

Issue:

The Tax Cuts and Jobs Act of 2017 permanently lowered the tax rate for C corporations from 35% to 21%. In the intervening years, the equipment and event rental industry has increased annual industry revenues from $49.907 billion in 2017 to an estimated $78.663 billion in 2024; more than a 71% increase. There is a simple maxim in the equipment rental business; when rental companies have cash they buy equipment. Lowering the corporate rate to 21%, provided equipment and event rental companies additional cash they needed to expand their businesses. Moreover, the stimulative effect of a lower corporate rate generated additional economic activity that increased the demand for rental equipment.

The result of lowering the corporate rate to 21% was increased employment, higher wages and increased investment by equipment and event rental companies. ARA also saw a significant increase in membership as new rental companies were started because of the increase in economic activity unleashed by these lower corporate rates coupled with pass-through deductions created by Section 199(A).

ARA's position is to keep the corporate rate at 21% going forward to ensure the continuation of the economic growth that has been fueling the economy for the past decade.