The Council of Industry

Newsletter

February/ March 2018 Volume 23 Issue 2

Join Us for our Manufacturing Lobby Day in Albany - March 21, 2018

Mark your calendars for our annual Manufacturing Lobby Day in Albany on March 21, 2018. This important annual event brings together the statewide manufacturing sector to meet with lawmakers on the issues of importance to OUR sector.

This event beings together our statewide manufacturing coalition - ***The Manufacturers Alliance of New York State*** – a group formed to support policy changes that would help create a better business climate in New York State. Once again, we will organize visits with legislators around issues (Taxes, Workers Comp/Regulations, Workforce/Apprenticeship, Energy, and Labor Law). Groups will be briefed on important legislation relating to each of these issue areas.

We will gather at the Fort Orange Club where our morning session will include an overview of the day's events. We will separate into the issue teams and receive additional briefings from team leaders and review visit strategies. We will then walk down 2 short blocks to the Capitol for our lobby visits which will be with legislators who have a key role (either leadership or committee) in shaping the policies relevant to each issue team. We will then reconvene at the Fort Orange Club to finish up the Lobby Day with additional forums and speakers. A roundtable of key education and workforce leaders is planned.

One of the issues we will be advancing is elimination of the income tax for manufacturers organized as "pass through" or sub Chapter (S) corporations. There is support for this idea and, as more than 60% of Council members are pass through organizations this would be a big win.

There will also be an optional dinner on the evening of March 20th at the Fort Orange Club for all those coming in early.
Click here for more information and to register online.

Council Begins Collaborative Recruiting Initiative (CRI): Program Includes Applicant Tracking System and Campaign to Promote Careers in Manufacturing

The Council of Industry has begun implementing changes to our online job opportunities posting page to create a more efficient and effective recruiting tool for participating members and we invite you to join in this upgrade. Over and over we have heard our members voice their frustration at the difficulty in recruiting qualified candidates for their open positions at every level of expertise. In response we are launching a Collaborative Recruiting Initiative (CRI). Members that choose to invest in this program will get:

- Post your jobs directly and allow candidates to apply online.
- Review, contact and track applicants via your company's own dashboard.
- Jobs posted on the Council of Industry job board will be pushed to other popular job boards including Google Jobs, Indeed, Monster, Zip Recruiter and Glassdoor (and more).

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Follow us on

In This Issue

Not Just a Perk: How Clear ROI Is Driving Tuition Assistance Programs

Posted In: Workforce Insight

Tuition assistance programs are nothing new, but the way organizations use them as a tool for talent attraction and development has been slowly shifting over the past few years. As the economy rebounds, workers don't historically head back to school to top up their qualifications. But with more employers competing for top talent, organizations are upping their benefits packages to include education.

According to the 2015 Employee Benefits Survey from the Society for Human Resource Management, 56 percent of employers offer undergraduate tuition assistance, while 52 percent offer tuition assistance at the graduate level.

We predict that the value of tuition assistance programs will continue to be felt by organizations of all sizes, resulting in some very interesting shifts as this space develops.

An increasing focus on ROI
While tuition assistance programs have long been considered an important part of the employee benefits package, an increasing number of organizations are starting to see their programs not as an employment perk, but rather as a business investment. From this perspective, more companies are starting to take a hard look at the data around their programs.

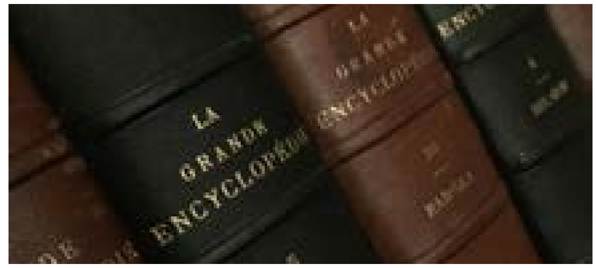
Lumina Foundation has been developing a series of studies looking at tuition assistance programs at major employers, all of which have documented significant ROI. This one from Cigna, for example, demonstrates the benefit to employers — saved talent management costs of $1.29 for every dollar spent on employee tuition.

As the use of big data for decision making continues to extend into talent management, companies will be able to measure and target their tuition assistance programs more effectively.

Aligning tuition assistance to talent development needs
As companies see a more definite ROI from tuition assistance programs, they will be able to target them to specific needs within the organization. Health insurance company Aetna is a key example. As new technologies and self-service options transform the role of customer service representatives, Aetna has been faced with the need to upskill their frontline staff for the more complicated customer service environment. By promoting their tuition assistance program to these frontline employees, Aetna is future-proofing their workforce.

Other companies are using tuition assistance to build a talent pool better able to step into middle management positions. One way they're targeting specific groups is through better communication of their policies, pulling information about continuing education options out of obscure corners of their employee benefit sites, and putting them in front of employees for the most impact.

The flip side of this more targeted messaging is that some companies are now starting to treat tuition assistance more like they would a scholarship, by including a qualification process such as an essay. Though not ideal from an accessibility standpoint, the trend helps companies be more specific about the business needs they're e**xpanding which programs are covered by TAP**



In the past, tuition assistance programs have only allowed students to study at traditional institutions like the local state university or community college campus. That's beginning to change, as many organizations consider innovative online degree programs from nonprofit institutions that design degrees specifically for working adults who need new skills to succeed in their careers.

And many employers are considering other credentials. As education as a whole begins to break into more accessible bite-sized courses and credentials, companies will be able to use their tuition assistance programs to target learning specific to their workforce — such as communications with a concentration in healthcare or management with a concentration in public administration.

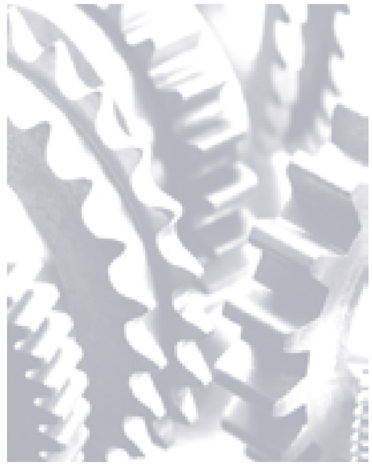
However, most organizations see more value in their employees having broad-based degrees, rather than pursuing only specialized training for a single role. Companies such as Amazon have made headlines for this recently, with their Career Choice program, which pre-pays 95 percent of tuition for hourly employees to earn degrees in high-demand fields — even if the degree isn't related to their jobs.

The key? Forging relationships with educational institutions
In order to realize these trends, companies must get better at communicating their programs to employees and connecting them with educational institutions. While some companies are starting to provide tuition assistance in a way that doesn't require employees to decode their benefits package's fine print, there are still many hurdles.

As the landscape of higher education continues to evolve, more employees are expecting tuition assistance as an opportunity. Organizations that may not have had tuition assistance on offer in the past are now competing against organizations that do.

Forging relationships with educational institutions and third-party educational benefits providers is one way to help communicate policies more clearly, and many high-profile companies are doing just that. Is your company ready to embrace these trends in tuition assistance programs? Get in touch with College for America today to learn more about our competency-based online degree program.

Leadership Classes and LEAN SIX SIGMA Yellowbelt at RCC



The Council of Industry's Certificate in Manufacturing Leadership Program at SUNY Dutchess is off to a great start despite the snowy Wednesdays we have had so far. All classes are filled to capacity and we have a great mix of companies. If you are one of our members in Orange or Rockland County and would like to take part in the Leadership Series, we have good news. Rockland Community College will be offering the Certificate in Manufacturing Leadership this Spring as well. Below are the classes, dates and pricing. You can register online at www.councilofindustry.org /training or email training@councilofindustry.org or call (845) 565-1355 for more info.

Classes are full day, from 9am to 4:30pm
Cost: Cost for an individual is $200 per class or $175 each for two or more from the same company. (Fundamentals of Leadership is 2 days and the cost is $400 person, $350 each for two or more from the same company) Full program Single Member: $1,450, two or more from same company: $1,275 each.

Fundamentals of Leadership April 12, 2018
This session takes managers and supervisors on a journey that begins with a discussion of the difference between leadership and management. This discussion sets the stage for a program that allows participants to identify their own leadership style and gain tools and techniques to make their individual strengths most effective. Attendees complete the DiSC Classic Profile, a non-judgmental personality tool for understanding their behaviors as a leader. Leaders use this knowledge to understand behavior across four primary dimensions.

Problem Solving & Decision Making April 19, 2018
In today's fast-paced business climate, knowing how to solve problems and make decisions efficiently and effectively is highly important. There are many ways to go about solving a problem or making a decision, but if people in an organization can learn common strategies and procedures for problem solving and decision-making, then they can learn to work together collaboratively in facing the challenges of their organization.

More Training information continued on page 11

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Consumer Price Index for December 2017

Wage Earners & Clerical	Dec-16	Dec-17	Nov-17	Point Increase	% Month	Increase Year
1967=100	701.15	716.45	716.87	-0.42	-0.1%	2.2%
82 - 84 =100	235.39	240.53	240.67	-0.14	-0.1%	2.2%
All Urban Consumers						
1967=100	723.22	738.48	738.91	-0.44	-0.1%	2.1%
82 - 84 =100	241.43	246.52	246.67	-0.15	-0.1%	2.1%

Hudson Valley Unemployment for December 2017 was 4.3%

Networks

Environment, Health & Safety Network Meeting on Confined Spaces Friday, March 16th at Council Office

Date: Friday, March 16th, 8:30 am - 10:00 am
Place: Media Room, Council of Industry Office, MSMC Desmond Campus, Newburgh, NY
Cost: Free for members
Presenter: Ed Jerome, Catamount Consulting
Register online or email abutler@councilofindustry.org

The Environment Health and Safety Network will meet for a presentation by Ed Jerome on Confined Spaces.

Many workplaces contain areas that are considered "confined spaces" because while they are not necessarily designed for people, they are large enough for workers to enter and perform certain jobs. A confined space also has limited or restricted means for entry or exit and is not designed for continuous occupancy. Confined spaces include, but are not limited to, tanks, vessels, silos, storage bins, hoppers, vaults, pits, manholes, tunnels, equipment housings, ductwork, pipelines, etc.

OSHA uses the term "permit-required confined space" (permit space) to describe a confined space that has one or more of the following characteristics: contains or has the potential to contain a hazardous atmosphere; contains material that has the potential to engulf an entrant; has walls that converge inward or floors that slope downward and taper into a smaller area which could trap or asphyxiate an entrant; or contains any other recognized safety or health hazard, such as unguarded machinery, exposed live wires, or heat stress.

Ed will discuss specific OSHA standards for General Industry and provide references that may aid in recognizing and evaluating hazards and possible solutions related to confined spaces.

Ed Jerome, CIH, CSC, joined retired from US Department of Interior's Bureau of Land Management (BLM) in Washington, DC. where he served as Chief of Safety, Health and Emergency Management. He brings with him more than 35 years experience in the occupational safety and health profession. Ed also has extensive experience with the Occupational Safety and Health Administration (OSHA). Over his 33 year career at OSHA, he worked in management and technical positions including as Area Director for OSHA's Albany Area Office. Ed is a certified industrial hygienist and holds a Bachelor of Science degree in Environmental Health Science from Hunter College, City University of New York. Ed holds professional memberships in AIHA and ASSE. ❂

Member Benefits

Council Program to Promote Careers in Manufacturing

Continued from front page

- Unlimited job postings.
- A concerted professional marketing effort to drive traffic to our Hudson Valley Manufacturing Jobs page and to encourage careers in the sector.

Click here to view the page. https://careers-councilofindustry.icims.com/jobs/search?ss=1

This initiative will put dozens if not hundreds of Hudson Valley Manufacturing jobs on one site. It will also market that site to potential candidates throughout the region and provide a system for each participating company to post jobs and track applicants (a software that alone would cost individual companies up to $15k per year). We believe program provides a significant value for our members.

Companies that choose to take part in this initiative will be charged $2,000 for 12 months. For that investment you get access to the Applicant Tracking System and your company listed on the CRI landing page. That campaign will begin in earnest March 15th promoting HV manufacturing jobs and directing people to our jobsite, the above link.

If you choose to invest part of your recruiting budget in this collaborative effort, please email Johnnieanne Hansen (jhansen@councilofindustry.org) to let us know ASAP. Johnnieanne will reach out to you and your HR team to set you up with the iCIMS Applicant Tracking System and you can begin uploading your job openings.

Of course, if you have any questions please feel free to contact our Director of Workforce Development, Johnnieanne Hansen jhansen@councilofindustry.org or (845) 565-1355 ext 121. ❂

One Thing Is Constant: Change

By Business Betterments

We've all heard some version of: "The only thing that is constant is change."

For manufacturers, this is true for a variety of reasons, including customer demand. Do you find your organization ready or unprepared for these fluctuations? Do you experience various levels of operational disruptions and havoc from these? What if they could be mitigated (some at least)? They can and it has to do with the sales department.

Whether your fiscal year is the same as the calendar year, chances are you are focused on expenditures and revenue. Managing expenses is fairy straight-forward, but what about revenue? Do you know where, when and how your revenue will take place? One way to mitigate the disruptions and havoc is to conduct a thorough sales forecast and review. Many create a revenue forecast based on the previous year and "gut instinct". Let's examine this.

Assuming revenue will happen (no formal plan/strategy) can have a significant impact on an organization when revenue comes up short. Since there was no plan, it is more difficult to address. Applying a formal sales strategy, like manufacturers do with Production and other operations, would minimize this. Here's a straight forward 2 step process, that begins with applying the SMART principle:

Specific: Listing, by customer, what each will contribute in terms of sales and gross margin and when (monthly buckets).

Measurable: You must be able to quantify the activities and ultimate expectation (revenue and margins). The old saying still holds true today: If you can't measure it, it never happened.

Attainable: Beyond "assuming" revenue performance, a planned sales strategy and process (like Production) will result in much greater success (+90%).

Relevant: If you manufacture widgets and are focused on specific markets, it's imperative the sales effort be aligned with these objectives. Selling gizmos to anyone is out of alignment and very costly.

Time-bound: The typical answer to a sales forecast is, "This year". When this year? Establish monthly/quarterly/yearly numbers (with supporting strategies) and implement for improved cash flow.

Step 2: As you proceed throughout the year (and future), it's important your salesforce be at the forefront. Change is constant and those organizations applying the above while monitoring and adjusting, will win every time.

Regularly ask them and yourself:

Do you know what the horizon looks like? What opportunities and threats await you?

What changes must you make? Are you planning for changes, so you are positioned to be most effective and profitable?

With these questions answered, communicate this information internally for better anticipation and reduced disruption and havoc.

SMART principles help create a roadmap and ongoing monitoring focuses sales and the rest of the organization on the road ahead.

Change is coming. Will you be prepared?

❂

Business Betterments helps B2B manufacturers and distributors identify profitable growth opportunities and develop and implement the necessary strategies to secure them. www.businessbetterments.com

Do you find your organization ready or unprepared for these fluctuations? Do you experience various levels of operational disruptions and havoc from these? What if they could be mitigated (some at least)?

A New Announcement Ends The Uncertainty About When The New Disability Claims Procedure Requirements Will Become Effective, And Requires Compliance By April 1, 2018

By Thaddeus J. Lewkowicz, Bond Schoeneck & King PLLC, a Council of Industry Associate Member

The United States Department of Labor ("DOL") issued regulations in 2016 that made significant changes in the claims procedure requirements for employee benefit plans covered by the Employee Retirement Income Security Act ("ERISA") that provide disability benefits ("New Disability Claims Requirements"), but delayed the effective date of the New Disability Claims Requirements until April 1, 2018 as it gathered additional information on whether the New Disability Claims Requirements should be modified or rescinded. On January 5, 2018, the DOL announced that the New Disability Claims Requirements will become effective in their current form for disability claims filed on or after April 1, 2018. This announcement ended widespread speculation about whether the DOL would further delay the effective date of the New Disability Claims Requirements, and possibly rescind the New Disability Claims Requirements. Employers with ERISA-covered plans with disability benefits ("ERISA Disability Benefit Plans") should, if they have not already done so, amend the disability claims procedures in their ERISA Disability Benefit Plans no later than April 1, 2018.

Why Did the DOL Make a Final Decision To Implement the New Disability Claims Requirements On April 1, 2018?
The DOL previously announced a delay in the effective date of the New Disability Claims Requirements until April 1, 2018, in order to allow commentators to submit comments and data on the merits of rescinding, modifying, or retaining the New Disability Claims Requirements. The DOL said it received approximately 200 comments from the insurance industry, employer groups, consumer advocates, and lawyers representing disability benefit claimants, and that the information submitted with those comments was not enough to justify a decision by the DOL to further delay or change the New Disability Claims Requirements. The DOL said the information received in those comments failed to support arguments that the New Disability Claims Requirements would:

- result in unnecessary regulatory burdens for employers; or
- significantly lessen the access of employees to disability insurance benefits.

The DOL said implementation of the New Disability Claims Requirements on April 1, 2018 will provide employees with "new procedural protections when dealing with plan fiduciaries and insurance providers who deny their claims for disability benefits."

In our November 2017 Employee Benefits Law Information Memo, we provided information about, among other things: (1) the types of plans that could be subject to the New Disability Claims Requirements; (2) a summary of some of the more important New Disability Claims Requirements; (3) a description of the reasons why it would be important for employers to implement the New Disability Claims Requirements if they became effective; and (4) the types of documents that should be changed if the New Disability Claims Requirements became effective. In order to assist employers with ERISA Disability Benefit Plans who have yet to amend those plans to comply with the New Disability Claims Requirements, that type of implementation information for the amendments that will need to be made appears below.

What Types of Plans Are Subject To the New Disability Claims Requirements?
ERISA-covered retirement and welfare benefit plans that provide benefits if an individual becomes disabled generally will be subject to the New Disability Claims Requirements. Certain government plans, church plans, and plans maintained solely for the purpose of complying with applicable workers' compensation law(s) and disability insurance law(s) are exempt from ERISA. Private employers and tax-exempt employers with ERISA Disability Benefit Plans generally will have to comply with the New Disability Claims Procedures. Examples of the types of non-governmental and non-church plans that could be subject to the New Disability Claims Requirements include:

- short-term disability benefit plans that provide benefits in excess of those required by applicable laws;
- long-term disability benefit plans;
- other welfare benefit plans that provide certain benefits if an individual becomes disabled (e.g., continued coverage under a health plan, or a waiver of a requirement to pay premiums under a life insurance plan);
- retirement plans that provide certain benefits if a participant becomes disabled; and
- nonqualified deferred compensation agreements or plans that provide certain benefits if a covered employee becomes disabled.

What Are the New Disability Claims Requirements?
Among the more important New Disability Claims Requirements for the processing of claims and appeals for disability benefits under ERISA Disability Benefit Plans are the following:

<u>More Disclosure Requirements For Benefit Denials</u> – If a disability benefit denial is going to be issued, it will have to include a more detailed explanation of: (1) the reasons why the benefit is being denied, (including, if applicable, the reason for any disagreement with the viewpoint of a medical or vocational professional, or with a disability determination by the Social Security Administration); and (2) the specific internal standards, rules,

guidelines, protocols, or other similar criteria of the plan (collectively, "Standards") that were used in making that denial (or an explanation that such Standards do not exist).

A Benefit Denial Must Describe a Right To Request a Claim File – A benefit denial must include a statement that the claimant has the right, upon request, to receive a copy of the whole claim file and certain other documents that are relevant.

An Appeal Denial May Not Be Based On New Information, Unless a Claimant Is First Allowed To Review and Respond To the New Information – If the denial of an appeal is going to be based on new evidence or a new rationale that was not in the initial benefit denial, the claimant must be notified about the new evidence or rationale free of charge and must be provided a fair opportunity to respond to it before the appeal is denied.

Conflict of Interest Requirements For Individuals Involved In Claims and Appeals Decisions– Conflict of interest procedures must be followed by ERISA Disability Benefit Plans that generally will help ensure that certain individuals involved in claims and appeals decisions (e.g., individuals deciding claims, medical experts, and vocational experts) are independent and impartial. Such individuals may not, for example, be hired, compensated, promoted, or terminated based on how claims or appeals are handled.

Certain Violations of the Claims Requirements Could Allow a Claimant To Immediately Go To Court – Certain violations of the benefit claims requirements could constitute a deemed exhaustion of administrative remedies that would allow a claimant to immediately go to court to challenge a denial of disability benefits.

Certain Rescissions of Coverage Will Be Treated As a Benefit Denial – Certain rescissions of coverage by a plan (e.g., a retroactive termination of coverage due to a false statement made on an application for coverage) will be treated as a benefit denial that will require the claims procedure requirements to be followed.

Denial and Appeal Communications May, In Certain Circumstances, Have To Be Provided In Non-English Languages – If a claimant for disability benefits lives in a county where 10 percent or more of the population is only literate in a non-English language, benefit denials will have to include a statement in the applicable non-English language that certain language services will be available upon a claimant's request to assist with the processing of the claim.

Why Is It Important For Employers To Implement the New Disability Claims Requirements?
Employers with ERISA Disability Benefit Plans will want to timely amend each such plan to incorporate the New Disability Claims Requirements in order to help ensure a favorable judicial standard of review if the disability claim is ever litigated. Certain failures to follow ERISA's benefits claims procedure requirements could:

- allow a claimant to start litigating a claim in federal court before having to exhaust the plan's administrative remedies (i.e., before have to comply with all of the applicable requirements of the plan's benefit claims procedures); and

- allow a federal court to review the merits of the claim without having to give deference to any decision or interpretation made by the claims administrator with respect to the claim.

Timely implementation of the New Disability Claims Requirements could, therefore, increase an employer's chances to prevail on disputed claims for disability benefits in an ERISA-covered plan.

What Documents Should Be Changed Before the New Disability Claims Requirements Become Effective?
Employers with ERISA Disability Benefit Plans should make any changes in the benefit claims procedures for those plans that are needed to comply with the New Disability Claims Requirements. Documents where such changes may need to be made include:

- the plan document;

- the summary plan description for the plan; and

- any other document that references the plan's benefit claims procedures (e.g., some nonqualified deferred compensation agreements have benefit claims procedures in a separate document).

If you have any questions about this memorandum, please contact Ted Lewkowicz, any of the attorneys in our Employee Benefits and Executive Compensation Practice, or the attorney in the firm with whom you are regularly in contact.

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Lean Sensei: Common Sense Required

By Written by David Tooker , MTEC, a Council of Industry Associate Member

To most people, Lean's connotation is to be thin. For many in industry, Lean is interpreted as doing more with less, thrifty management, cutting costs. But for me, Lean has always been about continual improvement and business growth, as you can only cut costs and remain profitable for so long. You need sales to survive and create more value for customers with the same value add resources. Lean has never been about cutting head count.

Here is a recent example I encountered.
During one recent project, the owner of a baking company was very excited about the potential of implementing Lean. He was taking online Lean classes and wanted to do Lean, but was having difficulty. Always willing to engage, we met and reviewed his key issues. The first few days I kept running into Lean jargon with him and his staff every time I pushed them to think about the waste in their process. They did a limited current state value stream map. They knew the terms but were failing on the practical application of Lean thinking (understanding value where value is added, flow, producing to customer demand and perfection). Stuck in their thinking and confused, they were not acting. They were taught these principles and sought perfection.

Remember, perfection does not always mean effectiveness from a business view. Where do we start? What Lean principles do we apply? Is this value stream correct?

"Applying Lean is complicated," they said. I was pushing them not to overthink. They needed to get started, organize things (5s), find the basic wastes, time the cycles, look at layout for flow, combine tasks, and balance the steps.

Follow on assignments were not getting complete. Their frustration was getting worse. They could not equate the concepts they were seeing in the book and what they learned in the online classes to their working environment. This ridged approach was confusing them with how to apply Lean. Finally, on my fourth visit, I said, "We are just going to go out to see the process and do it because you're stuck. You can either listen to me or I cannot help you." Humbled, they agreed. Out to the floor we went. Most of the product for the day was held up at the final step, decorating.

"This is your bottleneck," I told them.

"Of course," they said, "we know that." This is where we attack first. I pushed them to slow down and look at the basic wastes. How does the product flow? Where is work piling up? How much handling is there? How organized is the area? I pushed them to identify these wastes, as well as work with the operators to determine what to do to improve the value add time, improve flow, and eliminate the wasteful steps they saw.
We moved to the board and started to draft the future state tasks required: cycle time estimates, inventory, total through put, etc.

Every time someone said, "Oh, is that mix mode?", "TAKT time?", "Kanban?" I stopped and pushed them to just think basic common sense. Does it make sense to move 40 cakes in a rack to decorate, decorate each cake, place each cake back on the rack, move the rack to slice, slice each cake, place each cake back on the rack, and so on. Would it make sense to move the full rack once to decorate, then for each cake, decorate, slice, box, seal, pack and skid, one cake at a time? BOOM, the lights went on, the owners face lit up with a big smile!

"I get it," he said many times, "I get it, wow!" Again, humble time! On my next visit the dam was broken.

"Come look Dave, come see," the team expressed as if they were kids blitzing a Halloween candy collection, "look, now we decorate, slice, pack, etcetera, one cake at a time."

"We moved this here, that there," and on they went. We organized the benches, equipment, and tools allowing us to combine things. We use half the area now with one less operator, who was reassigned to mix and bake. We get 40 cakes completed in 1.5 hours, which used to take 7 hours.

"This is simple," they said.

"Good," I told them, "once you get repeatability and consistency in the process then we will look at the more advanced applications of Lean, Mix Mode, Kanban, Pull, and the list goes on." No, I did not eat the whole cheese cake they gave me.

Lean is a tool that works best when people have the correct guidance and are allowed time to look at the waste, take risk, and change. When people get it, and apply a little at a time in their work, it is amazing the improvements that can be achieved. The day to day improvements add up and eventually the organization achieves the future state impacts that are so vital to success.

Throughout my career I have encountered many similar situations with organizations, all trying to apply Lean, all encountering various constraints and confusion on its practical application that, but when common sense is applied, improvements are realized.

Dave Tooker is a Principal Lean and Quality Systems Engineer for the Manufacturing & Technology Enterprise Center. He holds an advanced master certification in Lean Six Sigma from Villanova and has over 25 years implementing continuous improvement and Lean.

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What Manufacturers Need to Know about Tax Reform and Equipment Acquisition

By James B. Eulenstein, Equipment Finance Officer, Assistant Vice President, Key Bank, Key Equipment Finance, a Council of Industry Member

The *Tax Cuts and Jobs Act of 2018* (TCJA) is positioning manufacturing businesses for growth and profitability but also requires fresh analysis when it comes to equipment acquisition strategies.

Tax reform is bringing many changes, but the tried-and-true benefits of leasing equipment remain unchanged. Equipment financing continues to provide:

- Enhanced cash flow, allowing you to avoid large out-of-pocket costs and effectively manage cash from operations;
- Unparalleled flexibility and asset management features, including options to keep equipment in place for the long haul or upgrade to the latest technology; and,
- Preservation of credit lines to support day-to-day business operations rather than long-term capital needs.

While the benefits of equipment financing continue, it's important to consider how tax reform is changing the playing field.

Continued tax savings
Most equipment offers depreciation benefits. Historically, the most common equipment financing options—loans, non-tax leases and tax leases—allowed the equipment owner to deduct equipment depreciation expenses from taxable income, which significantly lowered their tax liability. Fortunately, the TCJA doesn't eliminate this benefit. However, selecting the option that optimizes your business's tax strategy is key.

Historic changes with major impact
The centerpiece of the TCJA—a reduction in the maximum corporate tax rate from 35% to 21%—will dramatically reduce tax liability for many businesses. Additionally, the range and size of available corporate tax deductions has expanded. The combination of these two changes begs an important question for most businesses: How many deductions can realistically be absorbed going forward? Determining the tax deductions and credits that will best benefit your business will be time well spent.

How much is too much?
Understanding your organization's ability to absorb large deductions will be important. Here are some areas to consider:

100% Expensing
For equipment placed in service after Sept. 27, 2017, and before Jan. 1, 2023, , the tax reform bill has eliminated the bonus depreciation feature. Instead, those who invest in qualified equipment during that time can simply expense 100% of the equipment cost in the first year of ownership.

This unprecedented benefit is a huge windfall for businesses with sufficient taxable income to claim it. That said, the benefit of such a write-off has less impact in a 21% corporate tax environment than in a 35% tax environment; therefore, some businesses might be unable to absorb all the depreciation benefits available to them. As a result, even full taxpayers could now find that a tax lease allows them to monetize otherwise unused depreciation benefits by trading them in for a lower after-tax cost to acquire equipment.

Note that the temporary increase in expensing allowance now also applies to pre-owned equipment purchases. Additionally, the 100% expensing benefit will begin to phase out in 2023.

Interest Expense Deduction
The TCJA now places limits on deductions related to interest accruals and payments made on debt in a given tax year. Unfortunately, this could negatively affect heavy borrowers and those investing in business growth and expansion activities. Equipment leasing could help to offset the pain, however, because rental payments arising from a lease are not included in this calculation.

Investment Tax Credit (ITC)
Particularly in the area of clean energy investments, ITC has offered many businesses an affordable means to achieve greener, energy-efficient power generation. After much debate, the tax reform legislation did not modify ITCs currently available for solar, wind and other forms of alternative energy. For instance, solar energy systems placed in service before 2020 are generally eligible for a 30% ITC, and available tax credits will still phase out slowly after 2020.

Section 179
Traditionally, Section 179 allowed businesses with limited capital acquisitions to expense 100% of the cost of new and pre-owned equipment in the first year of ownership. Owners could expense up to $500,000 in cost, as long as the business's total equipment investment for the year did not exceed $2 million. For investments totaling more than $2 million, the deduction declined on a dollar-for-dollar basis.

The TCJA permanently increased the deduction to $1 million beginning 2018, on an equipment investment limit of $2.5 million. Section 179 has always applied to new build and pre-owned equipment purchases, which was previously a significant distinction from bonus depreciation. However, the new tax reform changes to Section 179 are both permanent and now applicable to a broader set of assets, including HVAC and ventilation systems, fire protection and security systems.

Selecting the right financing partner
To develop the most profitable acquisition strategy, consult with an equipment financing expert. Now more than ever, it's imperative to seek a professional with a tenured history in lease structuring, in-depth knowledge of the equipment specific to your business, and an understanding of your organizational goals.

James B Eulenstein, Equipment Finance Officer, Assistant Vice President at Key Equipment Finance can be reached at 914-333-5756 or at James.b.eulenstein@key.com

The CI Calendar of Training & Events

Date	Class/Event
Feb 21	**Human Resources Management Issues-** 9:00 am—4:30 p.m. at Bowne Hall, SUNY Dutchess, Poughkeepsie, NY. Instructor: Thomas P. McDonough, Jackson Lewis , P.C. Cost: $200 single Council members, $175 each for two or more from the same company, $375 nonmember
Mar 7	**Problem Solving & Decision Making** - 9:00 am—4:30 p.m. at Bowne Hall, SUNY Dutchess, Poughkeepsie, NY. Instructor: Glenn Tanzman, Tanzco Management Consulting, LLC. Cost: $200 single Council members, $175 each for two or more from the same company, $375 non-members.
Mar 16	**EHS Network Meeting: Confined Spaces** - 8:30 am - 10 am at the Council of Industry Office, Media Room, Desmond Campus MSMC, Newburgh. Presenter: Ed Jerome, Catamount Consulting. Email abutler@councilofindustry.org to register.
Mar 21	**Environmental Safety & Health Essentials** - 9:00 am—4:30 p.m. at Bowne Hall, SUNY Dutchess, Poughkeepsie, NY. Instructor: HRP Associates. Cost: $200 single Council members, $175 each for two or more from the same company, $375 non-members.
April 4	**High Performance Teamwork** - 9:00 am—4:30 p.m. at Bowne Hall, SUNY Dutchess, Poughkeepsie, NY. Instructor: Ellen Messer, Organizational Effectiveness Consulting. Cost: $200 single Council members, $175 each for two or more from the same company, $375 non-members.
April 18	**Effective Business Communication** - 9:00 am—4:30 p.m. at Bowne Hall, SUNY Dutchess, Poughkeepsie, NY. Instructor: Rebecca Mazin, Recruit Right. Cost: $200 single Council members, $175 each for two or more from the same company, $375 non-members.
May 2	**Positive Motivation & Discipline** - 9:00 am—4:30 p.m. at Bowne Hall, SUNY Dutchess, Poughkeepsie, NY. Instructor: Rebecca Mazin, Recruit Right. Cost: $200 single Council members, $175 each for two or more from the same company, $375 non-members.

To register for these and other Council of Industry classes and events go to our website www.councilofindustry.org and select the calendar page. All entries are links to more information and registration forms. You may also e-mail us at training@councilofindustry.org or call (845) 565-1355 for questions or more information.

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Training

Human Resource Management Issues April 26, 2018
This class identifies and explains key legal issues that a manager may have to address in the workplace today. It helps current and future managers realize their responsibility to understand and enforce the employment laws that speak to these issues which can minimize their chances of ending up in court.

Making A Profit in Manufacturing May 1, 2018
Through case studies and examples participants will learn how a manufacturer can use financial ratios and other measures of financial performance to monitor its operations, effectively reduce risk, and maximize return. Topics of discussion will include understanding basic financial statements such as the balance sheet and income statement. We will also learn key performance ratios and how to apply them.

Best Practices & Continuous Improvement May 3, 2018
In this workshop you will learn the concepts of continuous improvement and the methods used to identify and prioritize problem areas. You will use some of the basic tools used to benchmark, develop and implement quality and productivity improvements.

Positive Motivation & Discipline May 10,2019
Positive Motivation and Discipline is a full day course that expands your managerial range to its fullest potential and gets your employees motivated to do the job at hand. The information presented includes understanding your role and the impact you have on your most difficult employee, the art of positive feedback, rewards and recognition, techniques and counseling and general performance improvement techniques.

Environment, Health and Safety Essentials: May 17, 2018
Environmental, Health and Safety (EHS) essentials applicable at most manufacturing operations. This core course reviews safety and environmental regulations which all managers should understand to better monitor and manage facility risk, hazards, and environmental and safety obligations.

LEAN SIX SIGMA Yellowbelt Classes offered at Rockland Community College in June

Date(s): June 5, 6, 7, 2018 **Time:** 8:30 am - 4:30 pm

Location: Rockland Community College, Suffern, NY

Instructor: Vinnie Buonomo and Dr. Don Baker from RIT

Cost: $400 per person, *Groups with a minimum of 3 people from a company are encouraged but not required

To register visit http://www.councilofindustry.org/course/lean-six-sigma-yellow-belt-training/ or email training@councilofindustry.org

This is an approach to process improvement that merges the complementary concepts and tools from both Six Sigma and Lean approaches. The resulting approach will have greater impact than one that centers on only Six Sigma or Lean. Participants will learn a short history of each approach and how they can complement each other. They will be introduced to the Define, Measure, Analyze, Improve, Control improvement process and some of the tools associated with each stage. The following topics will be focused during the training: Resistance to Change, 5-S Visual Controls, Team Building, Problem Solving Process and Statistical Thinking.

During this interactive Yellow Belt training, each group of participants will identify opportunities within their respective work areas and ways to improve those areas utilizing taught problem solving tools. The teams will present their identified work area opportunity and suggested solutions.

*Groups with a minimum of 3 people from a company are required for this training (single participants should contact the Council to see if arrangements can be made to add them to a group.) ❁

Welcome New Members

Packaging Technologies & Inspection (PTI) - manufacturer of non-destructive package inspection technologies for the pharmaceutical, medical device and food industries. Contact: Oliver Stauffer

Fehr Brothers - aircraft cable, wire rope, chain and industrial hardware to thousands of wholesale customers. Ulster County. Contact: Bob Miller

Belfor - Property Restoration. Westchester County. Contact: Stephen DeLillo.

Council of Industry

The Manufacturers Association of the Hudson Valley

6 Albany Post Road
Newburgh, NY 12550

Visit us online for more information about the Council of Industry and Hudson Valley Manufacturing.

Manufacturing is Vital.
The Council of Industry is
Vital to Manufacturing.

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