

March 2, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Schumer and Minority Leader McConnell:

We, the undersigned trade associations, representing thousands of businesses across the nation that collectively employ millions of Americans, write to urge Congress to take immediate action to reverse a tax change that threatens innovation and jobs in America.

Since 1954, the U.S. tax code has recognized the important role of investments in research and development in creating well-paying U.S. jobs and spurring innovation by allowing businesses to fully deduct their R&D expenses in the same year they are incurred. Yet starting this year, businesses will have to amortize or deduct these expenses over a period of years, making R&D more costly to conduct in the U.S. This change threatens not only the more than \$500 billion in private-sector R&D spending (of which manufacturers are the largest investors in R&D), but also the jobs directly and indirectly supported by such spending.

According to a major study, requiring the amortization of research expenses will reduce R&D spending and lead to a loss of more than 20,000 U.S. R&D jobs in the first five years with the number of lost jobs rising to nearly 60,000 over the following five years. Moreover, when accounting for the spillover effect from R&D spending, nearly three times as many jobs would be affected.¹ This same study also found that for every \$1 billion in R&D spending, 17,000 jobs are supported in the U.S.

The change in the tax treatment of R&D expenses comes at a time of increasingly fierce global competition for research dollars. The U.S. now has the dubious distinction of being just one of two developed countries with an amortization requirement (the other being Belgium). Meanwhile, China—which has made no secret of its plan to become the world leader in advanced manufacturing—has increased its super deduction for R&D expenses to an extra 100% of eligible R&D expenses in addition to actual R&D expenses incurred. That means a company performing \$100 of R&D in the United States would deduct only \$10 in 2022, while a company in China would deduct \$200, or 20 times as much. This change is occurring when the U.S. already ranks 27 out of 37 for R&D tax incentives among the advanced economies comprising the OECD.

¹ See EY, Impact of the Amortization of Certain R&D Expenditures on R&D Spending in the U.S. at i (2019), <https://investinamericasfuture.org/ey-impact-of-the-amortization-of-certain-rd-expenditures-on-rd-spending-in-the-united-states/>.

In addition to the negative impact on innovation, jobs and U.S. competitiveness, the amortization requirement also poses a threat to our national security. Recently, the National Science and Technology Council noted that R&D investments “are essential to ensure that the United States remains able to secure and protect the American people in the face” of other countries increasing support for R&D.²

While strongly supported bipartisan legislation has been introduced in the House and Senate to permanently repeal the amortization provision, the fact that the provision has now gone into effect will have dire consequences on future R&D spending and jobs if Congress does not act to immediately reverse this harmful change.³ As such, we respectfully urge Congress to act without delay to make sure that the tax code continues to support innovation. Doing so will not only help to ensure that businesses can continue to innovate, grow the economy and create high-paying jobs but that the U.S. continues to be a global leader in innovation.

Signed,

AdvaMed
Aerospace Defense Alliance of California
Aerospace Industries Association
African American Chamber of Commerce Western PA
Afton Chemical Corporation
Alliance for Automotive Innovation
Alliance for Competitive Taxation
American Automotive Policy Council
American Bakers Association
American Boiler Manufacturers Association
American Chemistry Council
American Cleaning Institute
American Council of Engineering Companies
American Forest & Paper Association
American Foundry Society
American Petroleum Institute
American Wood Council
Arizona Bioindustry Association, Inc.
Arkansas State Chamber of Commerce
Associated Industries of Missouri
Associated Industries of Vermont
Association of Washington Business
Autos Drive America

² Subcommittee on Research and Development Infrastructure, Committee on Science and Technology Enterprise of the National Science and Technology Council, National Strategic Overview for Research and Development Infrastructure at 23 (October 2021).

³ See American Innovation and R&D Competitiveness Act of 2021, H.R. 1304, 117th Cong. (2021) and American Innovation and Jobs Act, S. 749, 117th Cong. (2021).

Barrow County Chamber of Commerce (MS)
Berkeley Chamber of Commerce (NH)
Biotechnology Innovation Organization
Business & Industry Association of New Hampshire
Business + Institutional Furniture Manufacturers Association
Business Roundtable
C2AE
Cabarrus Regional Chamber of Commerce (NC)
California Chamber of Commerce
California Manufacturers & Technology Association
Capital Area Manufacturing Council (CO)
Cedar Rapids Metro Economic Alliance
Cellular Telecommunications Industry Association (CTIA)
Chandler Chamber of Commerce
Charleston Metro Chamber of Commerce (NJ)
Colonial Heights Petersburg Chamber Of Commerce (UT)
Colorado Advanced Manufacturing Association
Colorado Chamber of Commerce
Computing Technology Industry Association
Connecticut Business & Industry Association, Inc.
Cordele-Crisp Chamber (GA)
Council Bluffs Area Chamber of Commerce
Council of Industry of Southeastern New York
Danville Pittsylvania County Chamber of Commerce
Fauquier Chamber of Commerce
Financial Executives International
Forging Industry Association
General Aviation Manufacturers Association
Georgia Association of Manufacturers
Global Business Alliance
Greater Durham Chamber of Commerce (NC)
Greater Flagstaff Chamber of Commerce
Greater Green Bay Chamber
Greater Hartsville Chamber of Commerce (SC)
Greater Phoenix Chamber
Greater Reading Chamber Alliance
Greater Spokane Valley Chamber of Commerce
Greene County Chamber of Commerce (PA)
Gwinnett Chamber of Commerce
Hampton Roads Chamber of Commerce
Hanover Area Chamber of Commerce (PA)

Idaho Association of Commerce and Industry
Illinois Manufacturers' Association
Indiana County Chamber of Commerce
Indiana Manufacturers Association
Industrial Fasteners Institute
Information Technology Industry Council
International Association of Plastics Distribution
Iowa Association of Business and Industry
Iowa Business Council
IPC, Build Electronics Better
Jackson Area Manufacturers Association (MI)
Juniata River Valley Chamber of Commerce (AZ)
Kansas Chamber and the Kansas Manufacturing Council
Lansing Regional Chamber of Commerce
Loudoun County Chamber of Commerce
Louisiana Association of Business & Industry
Maine State Chamber of Commerce
Maryland Chamber of Commerce
Medical Device Manufacturers Association
Metal Powder Industries Federation
Metals Service Center Institute
Metro Atlanta Chamber
Metropolitan Milwaukee Association of Commerce
Michigan Manufacturers Association
Mississippi Manufacturers Association
Motor & Equipment Manufacturers Association
Murray County Chamber of Commerce & Industrial Development (AZ)
Myrtle Beach Area Chamber & Myrtle Beach Area Convention and Visitors Bureau
National Electrical Manufacturers Association
National Marine Manufacturers Association
National Shooting Sports Foundation
National Tooling and Machining Association
National Wooden Pallet & Container Association
NCTA - The Internet & Television Association
Nebraska Chamber of Commerce & Industry
Nevada Manufacturers Association
New Jersey Business & Industry Association
New Mexico Business Coalition
Next Generation Manufacturing (PA)
Nogales-Santa Cruz County Chamber of Commerce (SC)
Non-Ferrous Founders' Society

North American Association of Food Equipment Manufacturers
North Carolina Chamber
North Carolina Manufacturers Alliance
Northeast Pennsylvania Manufacturers & Employers Association
Norwin Chamber of Commerce (PA)
Ohio Manufacturers' Association
Oregon Business & Industry
Oregon Manufacturers and Commerce
Pennsylvania Chamber of Business and Industry
Pennsylvania Manufacturers' Association
Plastics Industry Association
Plumbing Manufacturers International
Precast/Prestressed Concrete Institute
Precision Machined Products Association
Precision Metalforming Association
PRINTING United Alliance
Railway Supply Institute
RePower South Berkeley, LLC (IA)
Rhode Island Manufacturers Association
Roanoke Regional Chamber of Commerce
San Antonio Manufacturers Association
Savannah Area Chamber of Commerce
Schuylkill Chamber of Commerce
SEMI
Semiconductor Industry Association
Silicon Valley Leadership Group
Silicon Valley Tax Directors Group
Society of Chemical Manufacturers & Affiliates
Software Finance and Tax Executives Council
South Carolina Chamber of Commerce
Specialty Equipment Market Association
St. Paul Area Chamber
TechNet
Tennessee Chamber of Commerce & Industry/Tennessee Manufacturers Association
Texas Association of Manufacturers
The Association For Manufacturing Technology
The Business Council of NY State, Inc.
The Carpet & Rug Institute
The Center for Procurement Advocacy
The Chamber of Commerce for Greater Montgomery County (GA)
The Independent Packaging Association

The National Association of Manufacturers
The State Chamber of Oklahoma
Treated Wood Council
U.S. Chamber of Commerce
United States Council for International Business
USTelecom - The Broadband Association
Utah Manufacturers Association
Valley Industrial Association
Vinyl Institute
Virginia Hispanic Chamber
Virginia Manufacturers Association
Water and Wastewater Equipment Manufacturers Association
West Virginia Manufacturers Association
Wisconsin Manufacturers & Commerce

cc: The Honorable Ron Wyden
 The Honorable Mike Crapo
 The Honorable Richard Neal
 The Honorable Kevin Brady