

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.<sup>1</sup> 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.

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<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup> 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

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<sup>2</sup> 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).

<sup>3</sup> 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