

Congress of the United States
Washington, DC 20515

May 4, 2022

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232 U.S. Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
House Republican Leader
U.S. House of Representatives
H-204 U.S. Capitol
Washington, D.C. 20515

Dear Madam Speaker, Leader McCarthy,

As the leading proponents of the American Innovation and R&D Competitiveness Act we urge immediate action to prevent serious damage to U.S. innovation and competitiveness with a four-year delay of the imposition of amortization of research and development (R&D) expenses.

For almost 70 years, businesses have been able to deduct their R&D expenses immediately, incentivizing critical research investments. On January 1st, this deduction was removed, and replaced with a requirement that forced long term amortization of expenses. Unless reversed or delayed, this change will adversely affect the cash flow for businesses engaged in R&D, significantly impacting future funding for R&D and harming the United States' global competitiveness.

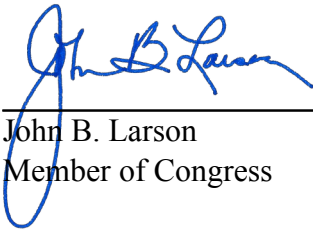
According to the accounting firm, EY, this change will result in job losses totaling over 20,000 in the first five years and nearly 60,000 jobs in the second five years. If allowed to remain in effect, the U.S. policy of amortization would treat innovation-related expenses worse than any other developed country. Prior to amortization going into effect, the U.S. already ranked 27th of the 37 OECD countries with respect to R&D incentives. In contrast, China provides a super deduction for R&D expenses for manufacturing companies, amounting to an extra 100% of eligible R&D expenses in addition to actual expenses incurred. Investments conducted in China will receive 20 times the tax benefit of R&D conducted in the U.S. When all R&D incentives are considered, China will have more than 11 times more generous incentives than those of the U.S.

Accordingly, it is critical that Congress reverse this harmful change. Recently, the National Science and Technology Council concluded that “ensuring national security and resilience is critical for the U.S., especially as other nations dramatically increase their R&D expenditures.” Sustainable investments “are essential to ensure that the U.S. remains able to secure and protect the American people in the face of this increased competition.”

Almost seven decades of history show heavy bipartisan tax policy support for R&D. The initial credit was passed by a Democratic House, Republican Senate, and signed by President Reagan. Our legislation to permanently reverse the amortization requirement has at least 99 bipartisan cosponsors in the House and 26 in the Senate.

The data backs up the merits of maintaining the immediate deductibility of R&D expenditures. As each month passes, failure to act yields proportionately more harm to innovation and competitiveness. We request immediate action on this urgent tax policy matter.

Sincerely,



John B. Larson
Member of Congress



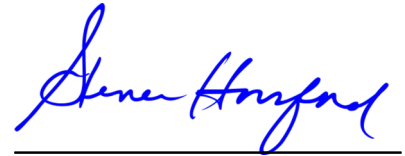
Ron Estes
Member of Congress



Antonio Delgado
Member of Congress



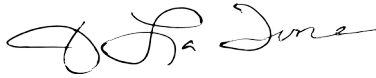
Deborah K. Ross
Member of Congress



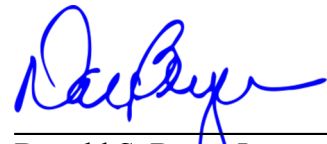
Steven Horsford
Member of Congress



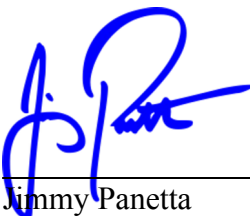
Tracey Mann
Member of Congress



Jake LaTurner
Member of Congress



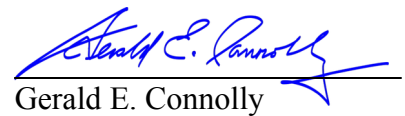
Donald S. Beyer Jr.
Member of Congress



Jimmy Panetta
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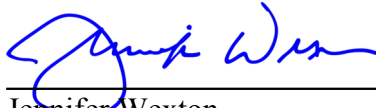
Ted W. Lieu
Member of Congress



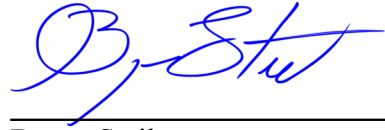
Gerald E. Connolly
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Tom O'Halleran
Member of Congress



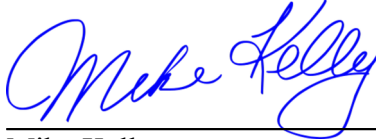
Jennifer Wexton
Member of Congress



Bryan Steil
Member of Congress



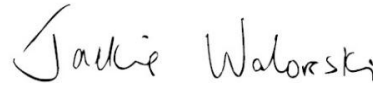
Lloyd Smucker
Member of Congress



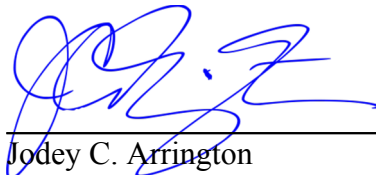
Mike Kelly
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David Schweikert
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Jackie Walorski
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Jodey C. Arrington
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Frank D. Lucas
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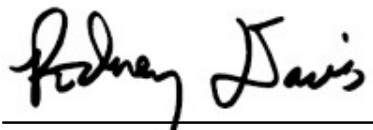
Brian Fitzpatrick
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Suzanne Bonamici
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Eric A. "Rick" Crawford
Member of Congress



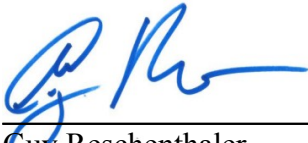
Rodney Davis
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Bill Johnson
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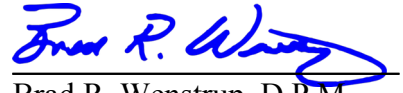
Gregory F. Murphy, M.D.
Member of Congress



Guy Reschenthaler
Member of Congress



Fred Upton
Member of Congress



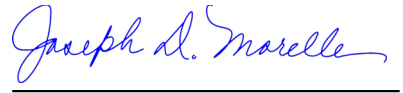
Brad R. Wenstrup, D.P.M.
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Sharice L. Davids
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Joseph D. Morelle
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Terri A. Sewell
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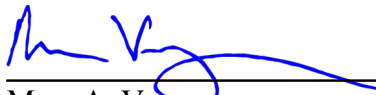
Tom Cole
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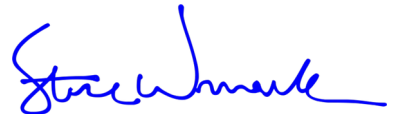
Anthony G. Brown
Member of Congress



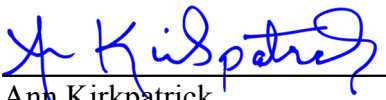
Brendan F. Boyle
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Marc A. Veasey
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Steve Womack
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Ann Kirkpatrick
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Darin LaHood
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Greg Stanton
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Susie Lee
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Chrissy Houlahan
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Vicky Hartzler
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Bill Posey
Member of Congress



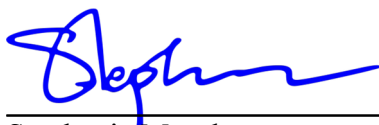
Carol D. Miller
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Adrian Smith
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Stephanie Murphy
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Mike Carey
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Tom Rice
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Michelle Steel
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Michael T. McCaul
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Marcy Kaptur
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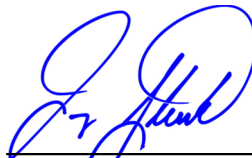
Don Bacon
Member of Congress



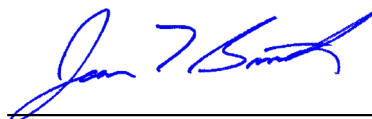
Tom Reed
Member of Congress



Julia Brownley
Member of Congress



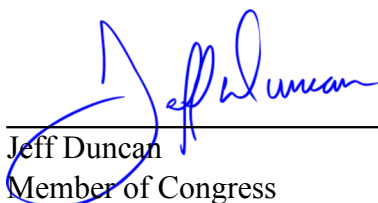
W. Gregory Steube
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Jason Smith
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Mikie Sherrill
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Jeff Duncan
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John Joyce
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August Pfluger
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Vern Buchanan
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A. Drew Ferguson IV
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Thomas R. Suozzi
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