



December 4, 2017

The Honorable Mitch McConnell
Senate Majority Leader
S-230 Capitol
Washington, DC 20515

The Honorable Paul Ryan
Speaker
H-232 Capitol
Washington, DC 20510

The Honorable Orrin Hatch
Chairman, Senate Finance Committee
219 Dirksen Senate Building
Washington, DC 20515

The Honorable Kevin Brady
Chairman, House Ways and Means Committee
1100 Longworth House Office Building
Washington, DC 20510

Dear Leader McConnell, Speaker Ryan, Chairman Hatch and Chairman Brady:

As the Conferees work to reconcile the House and Senate versions of tax reform legislation (H.R. 1) into a final bill, the R&D Credit Coalition strongly urges the Congress to agree to final language that preserves incentives for research investments, particularly the R&D tax credit, and that removes a provision that requires R&D expenses to be amortized.

The R&D tax credit and the current law ability to expense certain research costs are vital and effective incentives for companies to make investments in U.S.-based R&D that will create U.S. jobs, grow the economy, and continue to spur innovation.

A significant and problematic consequence of retaining the corporate AMT, as included in the Senate passed tax bill, is to effectively repeal the R&D tax credit. As Congress goes to conference to reconcile the House and Senate tax reform legislation, they MUST repeal the corporate AMT. One goal of tax reform is to make the tax code simpler, fairer, and more pro-growth so companies can compete on a global basis. Maintaining the corporate AMT will add the complexity of dealing with two tax systems and will penalize companies that engage in research and utilize the R&D tax credit. The R&D Credit Coalition intends to work with Congress to correct this unintended consequence and ensure that the final law repeals the AMT and maintains a robust R&D tax credit that companies can use.

In addition, under both the House and Senate passed bills, research costs would be required to be amortized over several years. This provision, inserted into the bill simply as a means to raise revenue, goes in the opposite direction of other expensing provisions in the bill. Requiring amortization fails to recognize that research activities are inherently risky and can result in failure and no commercial viability. Putting an economic life, such as an arbitrary 5 years, on these costs will add complications and uncertainty to business planning. As much of the costs for research are related to wages paid to scientists and researchers, the provision would overturn the historic ability to expense wages paid to employees and instead require those costs to be written off over several years.

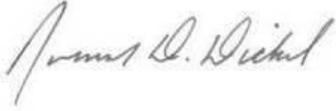
Amortization of research costs will discourage R&D investments and would raise the cost of performing risky and uncertain research in the U.S. While the delay of the effective date shows Congress understands the potential negative impact on US jobs and the economy, the underlying provision is bad policy and goes in the wrong direction.

But time is running short, and we hope in this final tax reform bill, the Conferees will agree to maintain the ability to deduct research expenses as well as the ability to utilize R&D tax credit by fixing the Corporate AMT.

The R&D Credit Coalition has continued to work with Congress to ensure that the R&D credit and R&D expensing are permanent elements of the U.S. tax code – these two elements together encourage companies to continue to locate their R&D facilities and jobs here in the U.S.

We look forward to working with Congress to ensure R&D tax activities remain a stable fixture. The Coalition is committed to working with Congress not only to retain the existing credit and expensing, but also to enhance the R&D incentives to increase opportunities for companies to compete on a global basis.

Sincerely,



Ronald D. Dickel
Intel Corporation
Chair, R&D Credit Coalition

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The R&D Credit Coalition is a group of more than 100 trade and professional associations along with small, medium and large companies that collectively represent millions of American workers engaged in U.S.-based research throughout major sectors of the U.S. economy, including aerospace, agriculture, biotechnology, chemicals, electronics, energy, information technology, manufacturing, medical technology, pharmaceuticals, software and telecommunications.