July 31, 2018

The Honorable Kevin Brady  
Chairman  
Committee on Ways and Means  
Room 1102  
Longworth House Office Building

The Honorable Vern Buchanan  
Chairman  
Subcommittee on Tax Policy  
Room 1136  
Longworth House Office Building

Dear Chairman Brady and Chairman Buchanan:

On behalf of the companies and related trade organizations which comprise the R&D Credit Coalition, we thank you for your efforts to maintain the research and development (R&D) tax credit as a part of the Tax Cuts and Jobs Act (TCJA). As the Ways and Means Committee works to develop new tax legislation focused on spurring business innovation, we encourage the Committee to continue its efforts to support R&D in the U.S. by ensuring that current year expensing of these costs for companies of all sizes remains intact. This important and longstanding incentive in the Internal Revenue Code is scheduled to expire on January 1, 2022.

The R&D tax credit along with the ability to expense research costs in the year in which they are incurred are vital and effective incentives for companies of all sizes to make investments in the U.S. Current year expensing is particularly important to encouraging cutting-edge R&D, which help to create U.S. jobs, grow the economy, and act as a catalyst for innovation. Maintaining the full expensing of certain research costs is the more appropriate policy due to the inherent risks in obtaining commercial viability.

The full and immediate deduction for research costs is set to expire on January 1, 2022. Starting on that date, research expenses will be deducted over a period of years. Unless Congress acts to reverse this policy, it will become more costly to engage in U.S. based R&D, and serve as a disincentive to making research investments in the U.S. Moreover, this policy would make the U.S. an outlier as other countries would continue to permit the current year deduction of these expenses. As U.S. based R&D is the cornerstone of U.S. innovation, we strongly encourage you to ensure that current year expensing of research costs continues for all companies beyond 2022 as a part of your efforts to develop tax legislation focused on innovation and U.S. global competitiveness.

Combined, members of the R&D Credit Coalition spend billions of dollars every year to develop new products and innovations. These types of investments lead to the creation of high-wage and high-skill jobs in a diverse array of industries throughout the U.S., as well as a steady pipeline of new products for American consumers.

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 investments, facilities, and jobs here in the U.S.

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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.
We look forward to continuing to work with Congress to ensure the U.S. remains competitive and innovative. Thank you for your attention regarding the need to continue to preserve and encourage R&D in the U.S.

Sincerely,

Sharon L. Heck (Intel Corporation)
Chair, R&D Credit Coalition

Cc: The Honorable Richard Neal
    The Honorable Orrin Hatch
    The Honorable Ron Wyden