

October 28, 2019

The Honorable Richard Neal
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of the R&D Coalition, which represents more than 65 member companies and associations employing millions of Americans, please find enclosed a report our coalition commissioned regarding the harmful impact of a coming change to the tax treatment of research and development (R&D) spending.

Since 1954, companies have been able to immediately deduct qualifying R&D expenditures. However, starting in 2022, businesses will be required to amortize these expenditures over a period of years, making the U.S. the only developed country with such a policy. If this policy were to go into effect, it could act as a disincentive to perform R&D in the U.S. and as a result hurt U.S. R&D jobs and innovation. For example, according to the report, amortizing R&D spending would lead to the loss of over 20,000 U.S. R&D jobs in the first five years, with that number increasing to nearly 60,000 in the following five years.

With the global competition for R&D spending intensifying by the day, the U.S. already ranks towards the bottom among OECD nations when it comes to the value of R&D tax incentives. Unfortunately, the value of the U.S. tax incentive for R&D will likely decline further should the amortization policy go into effect in 2022.

As Congress looks to promote innovation in the U.S., we urge you to support H.R. 4549, the American Innovation and Competitiveness Act. Introduced by Rep. Larson (D-CT) and Rep. Estes (R-KS), this bipartisan bill would help ensure that the U.S. tax code continues to support R&D by repealing the amortization provision.

We look forward to working with you on this important issue.

Sincerely,



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

CC: Members of the House Ways and Means Committee