

## R&D Drives Well-Paying Jobs, U.S. Innovation, Competitiveness and Strong National Security

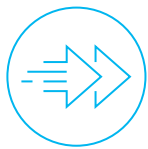
Since 1954, the tax code has allowed businesses to fully deduct qualified R&D expenses from their taxable income in the same year. However, beginning in 2022, businesses must amortize, or deduct over a period of years, their R&D expenses, making R&D more costly. If not reversed, this tax change will have a harmful impact on U.S. jobs, innovation, competitiveness and national security.



Over the course of the first five years, 23,400 R&D jobs in the U.S. will be lost due to the tax change, with the number of lost jobs rising to 58,600 over the following five years according to a study by EY.<sup>1</sup>



According to the Congressional Budget Office, amortizing R&D expenses “will reduce the incentive to invest in R&D.”<sup>2</sup> The same EY study finds that the tax change will reduce U.S. R&D spending by \$4.1 billion annually in the first five years and \$10.1 billion annually in the second five years and beyond. The study also shows that for every \$1 billion in R&D spending, 17,000 jobs are supported in the U.S.



The U.S. is now one of two developed countries requiring the amortization of R&D expenses (Belgium being the other). Meanwhile, China currently provides a super deduction for R&D expenses including a 200% deduction for manufacturers.



The amortization requirement poses a threat to our national security. As the National Science and Technology Council has noted, 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>3</sup>

### Action for Congress to Take

To help secure America’s global leadership in innovation and its economic and national security future, Congress should pass without delay **S. 866, the American Innovation and Jobs Act/H.R. 2673, the American Innovation and R&D Competitiveness Act**, bipartisan legislation that would repeal the amortization provision.



## R&D Coalition

The R&D Coalition is a partnership among small, medium and large American companies and business associations with a presence in all 50 states. Coalition members employ millions of American workers and represent all major U.S. industries and economic sectors, including, among others, manufacturing, agriculture, pharmaceuticals, biotechnology, software and information technology, energy and telecommunications.

<sup>1</sup> See EY, Impact of the Amortization of Certain R&D Expenditures on R&D Spending in the U.S. (2019), <https://investinamericasfuture.org/ey-impact-of-the-amortization-of-certain-rd-expenditures-on-rd-spending-in-the-united-states/>.

<sup>2</sup> Congressional Budget Office, How Taxes Affect the Incentive to Invest in New Intangible Assets, Publication 54648 at 2 (Nov. 15, 2018).

<sup>3</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).