



February 25, 2021

The Honorable John Larson
1501 Longworth House Office Building
Washington, D.C. 20515

The Honorable Ron Estes
2411 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jodey Arrington
1107 Longworth House Office Building
Washington, D.C. 20515

The Honorable Darin LaHood
1424 Longworth House Office Building
Washington, D.C. 20515

The Honorable Suzan DelBene
2330 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jimmy Panetta
406 Cannon House Office Building
Washington, D.C. 20515

Dear Representatives Larson, Arrington, DelBene, Estes, LaHood, and Panetta:

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to thank you for re-introducing the American Innovation and R&D Competitiveness Act.¹ This critical legislation would ensure American companies can continue to confidently invest in research and development (R&D) that will power our economy and create jobs for years to come.

The code's current treatment of R&D expenses is ideal for innovation, given it allows businesses to write off their R&D costs in the year they make those investments rather than spreading out the benefit over several years. Unfortunately, under a provision in the Tax Cuts and Jobs Act (TCJA) this treatment is scheduled to change from full and immediate expensing of R&D under current law to five-year amortization. This could chill business investment at a critical point in America's economic recovery from the COVID-19 recession.

The Tax Foundation estimated in 2019 that repealing five-year amortization for R&D costs—and thereby maintaining full and immediate expensing for R&D—could boost the economy by 0.15 percent, wages by 0.12 percent, and create nearly 31,000 jobs.² This is exactly the kind of pro-growth tax policy that lawmakers should be pursuing as America looks to dig out of the severe economic disruption caused by the pandemic.

¹ United States Representative John Larson. (February 25, 2021). "Larson, Panetta, DelBene, Estes, LaHood, Arrington Introduce Legislation to Encourage Investment in Innovation." Retrieved from: <https://larson.house.gov/media-center/press-releases/larson-panetta-delbene-estes-lahood-arrington-introduce-legislation> (Accessed February 25, 2021.)

² Bellafiore, Robert. "Amortizing Research and Development Expenses Under the Tax Cuts and Jobs Act." Tax Foundation, February 2019. Retrieved from: <https://files.taxfoundation.org/20190204170826/Amortizing-Research-and-Development-Expenses-under-the-Tax-Cuts-and-Jobs-Act-F635.pdf> (Accessed February 25, 2021.)

We look forward to working with you to ensure the American Innovation and R&D Competitiveness Act attracts further support in Congress and is promptly passed into law.

Sincerely,

Andrew Lautz, Policy and Government Affairs Manager