



May 11, 2021

To: Members of the Senate Committee on Commerce, Science, and Transportation

From: Thomas Aiello, Director of Federal Affairs, National Taxpayers Union

Re: NTU's Views on May 12, 2021 Committee Markup

On behalf of the National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to express our views on several measures slated for consideration before the Senate Committee on Commerce, Science, and Transportation on May 12, 2021. While NTU takes no position on the majority of the bills up for consideration, NTU is particularly concerned with one piece of legislation, the "Endless Frontier Act." NTU strongly believes that the U.S. can and should do more to "win" the future in terms of technological innovation, but saddling taxpayers with even more debt in the years to come would harm future generations more than it would help them. For these reasons, as well as reasons described below, NTU strongly urges Committee members to reject S.1260 when it comes up for a vote.

S. 1260: the Endless Frontier Act. This bipartisan legislation, introduced by Sens. Chuck Schumer (D-NY) and Todd Young (R-IN) is a well-intentioned proposal aimed at bolstering U.S.-based technology research and development efforts in order to counter China's growing global influence. No doubt, many view the rise of China as a potential military, diplomatic, and economic superpower as a threat that could upend world order. In our view, the best way to mitigate some of these challenges is to foster stronger trading relations with better enforcement mechanisms, which historically has proven to diffuse tensions and boost prosperity for trading countries. Certainly the U.S can, and should, hold China accountable for blatant unfair trade and monetary practices, but U.S.-China trade has been a net positive for both countries.

Both parties have expressed concern that the United States may eventually lose its place as the premier technological innovator on the planet. To address these concerns, this legislation would invest significant taxpayer dollars into scientific development with the goal of keeping our country's innovative edge. In addition to the technology provisions contained in S.1260, this legislation incorporates many national security elements in order to protect U.S.-developed technology. To be clear, NTU takes no position on many of the national security elements contained in this legislation, but we are extremely concerned about the fiscal implications of this legislation should it become law.

Many have lauded this legislation as a way to "win" the future, but the most likely outcome of this proposal would just saddle future generations with even more debt that they will eventually have to pay back. With a national debt rapidly approaching \$30 trillion and rising annual deficits, lawmakers must address the reality that the U.S. cannot simply keep printing money. If spending continues on its current trajectory, there will come a point in the near future where we will be hit with a debt crisis. The effects of this debt crisis are dire; it will

lower national savings and income, raise interest payments, lead to massive increases in taxes, decrease our nation's ability to respond to problems, and increase the risk of a financial crisis.

This is the reality for future generations yet current lawmakers continue to kick the can down the road with little regard for our nation's deteriorating fiscal standing.

Unfortunately, this legislation would exacerbate our nation's dire fiscal imbalance by increasing annual spending authorizations. As such, NTU stands opposed to unoffset provisions contained in Section 4 (Endless Frontier Fund) which would authorize more than \$112 billion between FY22 and FY26 - increasing outlays by an average \$22 billion annually. The cornerstone of this spending package is to authorize the National Science Foundation to spend \$100 billion over five years for research into artificial intelligence and machine learning, robotics, high-performance computing and other advanced technologies. Additionally, \$10 billion for the Commerce Department would be authorized to create regional technology hubs for research, development and manufacturing.

If the Congress truly believes this level of spending is entirely necessary to "win" the future and counter China's technological growth, then spending should be matched with commensurate cuts or budgetary offsets elsewhere.

The actual need for more government involvement and investment in the technology space is also murky. In many respects the private sector is leading the way forward in order to keep the United States at the forefront of technological innovation. The best way for the private sector to remain globally competitive is to keep many preferential tax treatments that incentivize them to invest in research and development. Policies such as the deductibility of R&D spending, full and immediate expensing, and extending the EBITDA definition in Section 163(j), among others, will ensure our companies continue investments. Obviously, keeping the corporate tax rate as low as possible will ensure dollars flow in the economy rather than federal government coffers.

NTU appreciates the Committee's consideration of our views on these important issues and we stand ready to work with you on ways to remove barriers that harm American workers and businesses.