



September 27, 2021

The Honorable Joseph Morelle
1317 Longworth House Office Building
Washington, D.C. 20515

The Honorable Adrian Smith
502 Cannon House Office Building
Washington, D.C. 20515

Dear Representatives Morelle and Smith:

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to thank you for introducing the "Permanently Preserving America's Investment in Manufacturing Act," legislation NTU strongly supports. It is critically important that American businesses continue to be able to access robust interest deductions that incentivize pro-growth investments. Your bill would ensure this critical part of the tax code remains in place on a permanent basis.

As you well know, the Tax Cuts and Jobs Act (TCJA) put in place limitations on business interest deductions, in part to help offset the budget impact of other pro-growth changes to the code such as full and immediate expensing for short-lived assets. While interest deductions are limited (in part) to 30 percent of adjusted taxable income (ATI) as measured by earnings before interest, taxes, depreciation, and amortization (EBITDA), this definition changes to just earnings before interest and taxes (EBIT) in 2022. This impending change has the effect of punishing companies that invest in depreciable and amortizable assets, like machinery, equipment, software, and factories. These investments contribute to worker productivity and help spur economic, job, and wage growth in the U.S.¹

As the title of your legislation suggests, these investments are particularly important for U.S. manufacturers. According to the nonpartisan Joint Committee on Taxation (JCT), the manufacturing industry accessed interest deductions more than any other U.S. industry in tax year 2016.² While manufacturers are beginning to recover from the COVID-19 crisis, a recent National Association of Manufacturers (NAM) survey found that nearly 94 percent of manufacturers believe higher taxes would be "somewhat" or "very" harmful to their businesses.³ The "Permanently Preserving America's Investment in Manufacturing Act" would prevent a harmful tax increase on manufacturers from going into effect a few short months from now.

We appreciate your leadership on this critical piece of legislation and applaud you both for introducing the "Permanently Preserving America's Investment in Manufacturing Act." We stand ready to work with you both, and with Senate sponsors of this legislation, Sens. Roy Blunt (R-MO), Rob Portman (R-OH), James Lankford (R-OK), and James Inhofe (R-OK), to ensure passage of this legislation before the end of the year.

¹ For more, read: Joint Committee on Taxation. "Tax Incentives For Domestic Manufacturing." March 12, 2021. Retrieved from: <https://www.jct.gov/publications/2021/jcx-15-21/> (Accessed September 27, 2021.)

² Joint Committee on Taxation. "Overview of Limitation on Deduction of Business Interest: Section 163(j)." March 2019. Retrieved from: <https://www.jct.gov/publications/2019/overview-of-limitation-on-deduction-of-business-in/> (Accessed September 27, 2021.)

³ National Association of Manufacturers. "NAM Manufacturers' Outlook Survey: Third Quarter 2021." September 9, 2021. Retrieved from: <https://www.nam.org/wp-content/uploads/2021/09/NAM-Outlook-Survey-Q3-2021.pdf> (Accessed September 27, 2021.)

Sincerely,

Andrew Lautz
Director of Federal Policy

CC: The Honorable Richard Neal, Chair, House Committee on Ways and Means
The Honorable Kevin Brady, Ranking Member, House Committee on Ways and Means
The Honorable Roy Blunt
The Honorable Rob Portman
The Honorable James Lankford
The Honorable James Inhofe