

May 12, 2025

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Hakeem Jeffries
Democratic Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Democratic Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Johnson, Majority Leader Thune, Leader Jeffries, and Leader Schumer:

We, the undersigned organizations, representing thousands of businesses who collectively employ millions of Americans in all sectors of the U.S. economy, urge Congress to immediately enact three specific pro-growth tax relief proposals in the upcoming reconciliation bill authorized by H.Con.Res.14, the fiscal year 2025 budget resolution.

Tax policy plays a critical role in the ability of American businesses to thrive, create jobs in the U.S., and effectively compete in today's global economy. With recent reports of potentially slower growth in the American economy, pro-growth tax policy becomes even more compelling.

The first of the three pro-growth proposals would support innovation and job creation in America by reversing the amortization of research and development ("R&D") expenditures that took effect in 2022. As feared, this anti-growth tax policy has dampened national R&D activity. Since the amortization requirement went into effect, the rate of growth in R&D spending has declined at an alarming rate. After growing at a rate of 6.4% per year on average for five years prior to amortization came into effect, the rate of growth in R&D spending is now less than half of what it was prior to amortization. While America's competitors on the world stage have taken steps to make their R&D tax incentives more generous, amortization has taken the U.S. in the opposite direction, disincentivizing R&D. Restoring the full deductibility of R&D expenditures—as was the law for almost 70 years prior to 2022—will provide clearly proven, internationally competitive pro-growth tax policy.

The second of the pro-growth tax incentives would reduce the cost of debt financing for job-creating projects and investments by reverting the basis of the interest limitation rules from an earnings before interest and taxes ("EBIT") standard to an earnings before interest, taxes, depreciation, and amortization ("EBITDA") standard. The tighter EBIT-based interest deduction limits the amount of interest that businesses can deduct, increasing the cost of capital for significant investments. This stricter limitation, in combination with higher than anticipated interest rates, is reducing after-tax cashflow and adversely affecting investment, particularly in manufacturing. The United States is the only country that imposes this tight limitation on the deductibility of interest, impairing the competitive position of domestic companies.

The final pro-growth incentive is to restore full expensing for capital equipment purchases. The Tax Cuts and Jobs Act enabled businesses to immediately deduct 100% of a qualifying investment, but the 100% level began phasing down in 2023. Full expensing allowed domestic investment to reach new heights in the years following tax reform's enactment, powering economic growth and job creation. The phase down of full expensing, by comparison, made it more expensive for companies to purchase the equipment and machinery necessary for growth and expansion.

All three of these tax policies have a long history of bipartisan support and are critical to strengthening America's global competitiveness. When in force, they empowered businesses in the U.S. to innovate, create well-paying jobs, protect our national security, and remain at the cutting edge of the global economy. Restoring these provisions will have a profound impact on business investment, economic growth, and job creation.

With Congress engaged in the reconciliation bill process, now is the time to restore these three pro-growth tax policies. Congress should prioritize U.S. innovation, manufacturing and economic growth, particularly as strategic competitors like China are offering ever more generous incentives. Congress must act to protect the thousands of small and medium-sized businesses, hundreds of thousands of family-supporting jobs and billions of dollars of pro-growth investments supported by these provisions.

We strongly urge Congress to bolster our economy and support American workers and families. Congress should restore immediate R&D expensing, a pro-growth interest deductibility standard, and full expensing for capital investments.

Sincerely,

Aerospace Industries Association
Alliance for Automotive Innovation
The Alliance for Competitive Taxation (ACT)
Aluminum Association
American Boiler Manufacturers Association (ABMA)
American Car Rental Association
American Chemistry Council
American Cleaning Institute
American Composites Manufacturers Association
American Council of Engineering Companies
American Exploration and Production Council
American Forest & Paper Association
American Foundry Society
American Frozen Food Institute
American Home Furnishings Alliance
American Iron and Steel Institute
American Petroleum Institute (API)
AMT—The Association For Manufacturing Technology
Autos Drive America

Beer Institute
BEMA
Business Roundtable
Cellulose Insulation Manufacturers Association
Composite Panel Association
CTIA
ECIA—Electronic Components Industry Association
Electronic Transactions Association
Flexible Packaging Association (FPA)
FMI—the Food Industry Association
General Aviation Manufacturers Association
The Hardwood Federation
Household & Commercial Products Association
INDA, Association of the Nonwoven Fabrics Industry
Independent Lubricant Manufacturers Association
Independent Petroleum Association of America
Industrial Fasteners Institute
Industrial Packaging Alliance of North America
Industrial Truck Association
Institute of Makers of Explosives
International Sign Association
Irrigation Association
MEMA. The Vehicle Suppliers Association
Metal Building Manufacturers Association
Metals Service Center Institute
Motion Picture Association
National Association of Manufacturers
National Council of Textile Organizations
National Defense Industrial Association (NDIA)
National Foreign Trade Council
National Marine Manufacturers Association
National Mining Association
National Venture Capital Association
National Wooden Pallet & Container Association
NCTA: The Internet & Television Association
North American Association of Food Equipment Manufacturers (NAFEM)
North American Millers' Association
PEI—Petroleum Equipment Institute
Pet Food Institute
Plastics Industry Association
Plumbing Manufacturers International
PRINTING United Alliance
Railway Supply Institute
Recycled Materials Association (ReMA)
SEMI
Semiconductor Industry Association

Silicon Valley Leadership Group
Silicon Valley Tax Directors Group
Software Finance and Tax Executives Council
The Sulphur Institute
TechNet
Technology & Manufacturing Association
Telecommunications Industry Association (TIA)
Textile Care Allied Trades Association
TRSA, The Association for Linen, Uniform and Facility Services Industry
U.S. Chamber of Commerce
Valve Manufacturers Association
Window and Door Manufacturers Association