C-Suite R&D Talking Points

- Congress needs to act **now** to reverse the harmful R&D amortization requirement to prevent the loss of jobs and the innovation necessary to ensure America's future competitiveness.

- Since amortization took effect in 2022, the rate of growth of R&D spending has **slowed dramatically**. After growing at 6.6% on average over the previous five years, R&D spending actually **declined** over the last 12 months.

- The only way to reverse this slowdown in R&D spending is for Congress to restore immediate R&D expensing as soon as possible. Further delaying action beyond the first quarter of this year, let alone into 2025, risks the permanent loss of R&D spending as budgets are trimmed and projects are shelved.

- Already the cash tax cost to companies in 2022 from this change was $40 billion. Failure to fix amortization is roughly equivalent to increasing the headline corporate tax rate by 1.5%-2.0%.

- In addition, smaller and medium-sized businesses are now laying off workers to account for the additional expenses. On October 24, the Wall Street Journal published a story (https://www.wsj.com/articles/the-tax-rule-change-that-is-threatening-businesses-survival-a9236658) detailing how some businesses have laid off 35%-40% of their workforce due to the need to amortize research expenses.

- The United States is one of only two developed countries with R&D amortization rather than allowing for an immediate deduction, making it an even less attractive place to conduct R&D.

- China is moving in the opposite direction, permanently expanding its super deduction for R&D expenses, allowing a first-year deduction that is 20 times greater than the first-year deduction for the same investment in the United States.

- But China is not the only country offering much better R&D incentives. In fact, 17 countries provide a deduction that is more than 100% of eligible R&D expenses.

- There is recent precedent for retroactive extension of expired tax relief – the omnibus spending bill enacted December 20, 2019 (Public Law 116-94) extended more than two dozen tax provisions that had expired December 31, 2017, nearly 24 months earlier.