April 5, 2023

Dear Speaker McCarthy, Leader Jeffries, Leader Schumer and Leader McConnell:

We, the undersigned organizations, are members of the Technology Councils of North America (TECNA) and collectively represent more than 22,000 small- to medium-sized innovation and technology companies across North America. Our member companies are often startups and are heavily dependent on a thriving ecosystem of investment capital and acquisitions. We encourage Congress to take immediate action to repeal the harmful R&D amortization provisions that went into effect in 2022. Congress’s failure to act expediently will result in a loss of jobs and irreversible harm to U.S. innovation and competitiveness.

As you know, the R&D tax credit not only incentivizes firms to conduct more R&D than they would otherwise, but also results in R&D being conducted in the United States rather than offshore. However, a provision in the 2017 Tax Cuts and Jobs Act requires companies to amortize their R&D investments over five years rather than realizing them in the same year in which the costs are incurred. Given the intensity of global competition for advanced industry jobs, combined with the fact that the U.S. R&D tax credit is relatively weak compared with those of U.S. competitors, this change will significantly reduce the incentive to invest in domestic R&D and will result in measurable negative impacts on U.S. innovation, economic growth, jobs, and global competitiveness.

Congress should immediately address this R&D deficiency by passing the American Innovation & Jobs Act of 2023 (S. 866), a bipartisan bill sponsored by Maggie Hassan (D-NH) and Todd Young (R-IN) which would restore the immediate deductibility of R&D expenses. Failure to enact this bill or incorporate it into a larger package will result in the United States joining Belgium as the only other developed country that requires the
amortization of R&D expenses. Pro-innovation tax policy, which incentivizes R&D tax credits, has a history of broad bipartisan support that continues today. Congress should ensure seamless continuation of the immediate deductibility of R&D expenditures.

Sincerely,

The Technology Councils of North America (TECNA)

Arizona Technology Council
Austin Technology Council
Build Carolina
Chattanooga Technology Council
Colorado Technology Association
Connecticut Technology Council
Florida Technology Council
Greater Cleveland Partnership
Greater Nashville Technology Council
Idaho Technology Council
Indiana Technology & Innovation Association
KC Tech Council
Knoxville Technology Council
Maryland Tech Council
Massachusetts Technology Leadership Council
Minnesota Technology Association
MKE Tech Hub Coalition
Nebraska Tech Collaborative
New Mexico Technology Council
NH Tech Alliance
North Carolina Technology Association
Northern Virginia Technology Council
Ohio Innovative Technology Association
OhioX
Philadelphia Alliance for Capital and Technologies
Pittsburgh Technology Council

Richmond Technology Council
Roanoke Blacksburg Technology Council
SC Council on Competitiveness
Springfield Tech Council
Tampa Bay Tech
Tech Council of Delaware
Tech Hub South Florida
Tech San Diego
Tech Titans
TechBirmingham
TechBuffalo
Technology Association of Georgia
Technology Association of Iowa
Technology Association of Louisville Kentucky
Technology Association of Oregon
Technology Council of Central Pennsylvania
Technology Council of North Dakota
Technology Council of West Michigan - The Right Place
Technology First
TechPoint
TechSTL
Washington Technology Industry Association
Wisconsin Technology Council
1871

c: The Joint Committee on Taxation