

May 2, 2023

The Honorable Ron Wyden
Chairman, Committee on Finance
United States Senate
219 Dirksen Building
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member, Committee on Finance
United States Senate
219 Dirksen Building
Washington, DC 20510

The Honorable Jason Smith
Chairman, Ways and Means Committee
United States House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, Ways and Means Committee
United States House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Wyden, Ranking Member Crapo, Chairman Smith and Ranking Member Neal:

The Auto Care Association is a national trade association comprised of more than 3000-member companies and affiliates that manufacture, distribute and sell motor vehicle parts, accessories, services, tools, equipment, materials, and supplies. In short, we represent the entire supply chain of the auto industry. On behalf of the aftermarket industry, we write to urge Congress to take immediate action to reverse a harmful tax change that threatens jobs and innovation in America.

Innovation is one of America's greatest strengths and a significant contributor to job and economic growth, competitiveness, and national security. It is for these reasons that for nearly 70 years the tax code has recognized the importance of research and development by allowing businesses to fully deduct their R&D expenses in the same year. However, if not reversed, businesses must amortize or deduct these expenses over a period of years, making R&D more costly to conduct in the U.S. Failing to reverse this change will cost well-paying jobs and reduce future innovation-directed R&D. Requiring the amortization of research expenses will reduce R&D spending and lead to a loss of more than 20,000 R&D jobs in the

first five years with the number of lost jobs rising to nearly 60,000 over the following five years. Moreover, when accounting for the spillover effect from R&D spending, nearly three times as many jobs will be affected.¹

This same study also found that for every \$1 billion in R&D spending, 17,000 jobs are supported in the U.S. As a result of this change, the U.S. is now one of two developed countries requiring the amortization of R&D expenses. Meanwhile, China currently provides a super deduction for R&D expenses up to an extra 100% of eligible R&D expenses in addition to actual R&D expenses. At a time of increasingly fierce global competition for research dollars, this change will make it harder for the next R&D dollar to be spent in the U.S. which will hurt future U.S. competitiveness. The amortization requirement also poses a serious threat to our national security if not reversed. As the National Science and Technology Council has noted, R&D investments “are essential to ensure that the United States remains able to secure and protect the American people in the face” of other countries increasing support for R&D.²

For these reasons, we respectfully urge Congress to act without delay to ensure that the tax code continues to support innovation as doing so will help secure America’s global leadership in innovation and its economic and national security future.

Sincerely,

Lisa Spooner Foshee

Lisa Spooner Foshee – SVP Government Affairs and General Counsel

¹ See EY, Impact of the Amortization of Certain R&D Expenditures on R&D Spending in the U.S. at i (2019), <https://investinamericasfuture.org/ey-impact-of-the-amortization-of-certain-rd-expenditures-on-rd-spending-in-the-united-states/>. October 11, 2022

² Subcommittee on Research and Development Infrastructure, Committee on Science and Technology Enterprise of the National Science and Technology Council, National Strategic Overview for Research and Development Infrastructure at 23 (October 2021).