October 15, 2024

House Ways and Means
GOP Tax Teams:
- American Manufacturing
- American Workforce
- Rural America
- Community Development
- Supply Chains
- U.S. Innovation
- Global Competitiveness

Dear Chairman Smith and members of the House Ways and Means GOP Tax Teams:

The Economic Investment Alliance, a coalition of diverse U.S. companies and organizations committed to spurring economic growth through increased investment and new infrastructure projects, remains grateful for your diligent efforts to restore full expensing to 100% from its current 60% level, declining to zero after 2026. As you know, this tax policy benefits *all* Americans by incentivizing only investment in technology and infrastructure in the U.S. This spending, in turn, sparks economic growth and puts the investments in place that guarantee America remains a leader in the competitive global market.

Big and small businesses nationwide constantly reinvest in new technology and infrastructure, knowing it sets them up for growth and better customer satisfaction. Spending — whether on a tractor or manufacturing equipment — benefits the larger community by boosting productivity, wages and employment. Smart, pro-growth tax policies, including full expensing, which allows companies to deduct the entire value of qualified capital expenditures immediately, underlies this investment and subsequent economic growth.

Policymakers have historically utilized full expensing as an impactful solution to boost the national economy during uncertain economic times. Businesses leveraging full expensing have seen 5% increases in wages for workers and nearly 10% increases in employment as a result. And during high inflationary periods full expensing is an important tool that encourages capital expenditures and improves the supply chain. This is particularly important for smaller- to medium-sized businesses that rely on external financing, typically at higher rates, to fund their capital expenditures.

On the global stage, full expensing is critical to U.S. competitiveness. As countries such as China invest billions in technology and infrastructure, it's critical for American businesses to have tools like full expensing to make it easier and more affordable to invest in America—not more difficult and costly.

And at a time when our country is still searching for ways to help strengthen U.S. supply chains, restoring full expensing is one easy way to reduce the overall costs of the investments needed.

New research from the National Bureau of Economic Research (NBER) and the Tax Foundation underscores the importance of full expensing. The NBER concluded the 2017 tax law, which included full expensing, caused domestic firms eligible for the tax change to increase their investment 20% more than those that experienced no tax change.[1] The Tax Foundation concluded full expensing led to a "7.6 percentage point improvement in the ability of all businesses to deduct the real value of their investments and improved cost recovery for manufacturing investment by 8.6 percent."[2]

Behind those numbers are investments from a wide variety of industries that benefit all Americans:

- Airlines and car rental agencies use full expensing to modernize their fleets to meet evolving consumer demands.
- With full expensing, telecommunication companies were able to deploy 5G infrastructure much faster than originally anticipated and will ensure the U.S. has a strong presence in the global competition for 6G.
- Medical technology and pharmaceutical companies have used full expensing to invest in new equipment and technology, helping to speed up breakthroughs.
- Full expensing helps farmers to invest in new equipment, making food production more efficient.
- Semiconductor manufacturers have relied on full expensing as they set up new innovative facilities to grow domestic manufacturing.
- Energy companies utilize full expensing to invest in new production facilities and equipment, and expand current capacity at existing assets, which lowers energy costs for Americans and promotes domestic innovation for traditional and renewable energy.
- Full expensing incentivizes companies to buy the most efficient, environmentally-friendly equipment to build and maintain the nation's critical infrastructure.

Unfortunately, the accelerated benefit of full expensing was temporary and has decreased by 20% each year over the last several years and, unless Congress acts now, will be phased down to zero by 2027. This current reality is already causing uncertainty and stifling critical investment at a time when it's needed most.

The nonpartisan Congressional Budget Office predicts the scheduled expiration of full expensing would slow economic growth as companies reduce their capital expenditures**.** Meanwhile economists and bipartisan policymakers alike agree that full expensing may be the single most pro-growth provision from tax reform because it drives productivity and investment, which are key drivers of jobs and wages in the U.S. economy.

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[1] https://conference.nber.org/conf_papers/f191672.pdf
[2] https://investmentalliance.org/wp-content/uploads/2024/09/How_expensing_benefits_manufacturers90-1.pdf

That’s why congressional leadership to restore full expensing matters so deeply, now and in the future.

These benefits — plus full expensing’s importance during periods of high inflation — help to explain why other nations, including the United Kingdom, have embraced full expensing. Their implementation makes extending full expensing here even more critical if we are to remain competitive.

We know you deeply understand the many intersecting facets of economic growth, including the power of full expensing to spur economic growth. The EIA appreciates your strong and ongoing support for the policy and your dedication to including it in future tax legislation.

We stand ready to collaborate with you and your colleagues — on both sides of the aisle — to make it law and help to support American companies and workers.

Sincerely,

Economic Investment Alliance