

The bipartisan Tax Relief for American Families and Workers Act would restore three vital pro-growth tax policies that have expired or are being phased out. Passing this bill would strengthen the U.S. economy, create American jobs and increase America's competitiveness.

#### Expired on December 31, 2021:

##### Full Expensing of Research and Development (R&D) Investments

- ▶ As of 2022, businesses are required to expense R&D investments over five years rather than in the same year the investments occurred, which is a **damaging departure from 70 years of bipartisan pro-innovation policy**.
- ▶ The U.S. is now **one of only two developed countries** without immediate expensing for R&D.
- ▶ **China is doubling down** on incentives to bolster R&D, while the U.S. is making it more expensive.
- ▶ **More than 10,000 American jobs will be lost each year** over the next decade without immediate R&D expensing.

#### Expired on December 31, 2022:

##### Full Expensing of Investments in New Equipment, Machinery and Technology

- ▶ Starting in 2023, businesses can only expense 80% of investments in new equipment, falling to 60% in 2024, 40% in 2025, 20% in 2026 and **eliminated completely in 2027**.
- ▶ The elimination of full expensing **discourages domestic investment**, limiting opportunities for businesses and workers in the U.S.
- ▶ Full and partial expensing has been in the tax code for 21 of the past 23 years and **supported by Republicans and Democrats**.
- ▶ **Permanent full expensing would create 73,000 American jobs**.

#### Expired on December 31, 2021:

##### Limited Interest Deduction on Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

- ▶ As of 2022, the business interest deduction is restricted to 30% of a company's earnings before interest and taxes (EBIT) rather than EBITDA. **This is a tax increase**.
- ▶ Switching from EBITDA to EBIT makes it **more expensive for businesses to invest in America**, resulting in slower job creation, smaller wage increases and lower overall economic growth.
- ▶ **The U.S. is now an international outlier on business interest deductibility**, with no other developed country basing the deduction on EBIT.
- ▶ A stricter interest expense limitation **will cost the U.S. economy 867,000 jobs, \$58 billion in lost wages and \$108 billion in GDP**.

1. Ernst & Young (2019, October). Impact of the Amortization of Certain R&D Expenditures on R&D Spending in the United States. Retrieved from <https://investinamericasfuture.org/wp-content/uploads/2019/10/EY-RD-Coalition-TCJA-R-and-D-amortization-report-Oct-2019-1.pdf>

2. The R&D response to the COVID-19 crisis: Final estimates of R&D performance in 2020. (September 2022). Retrieved from <https://www.oecd.org/sti/msti.htm>

3. Tax Foundation (2022, November). Details and Analysis of Canceling the Scheduled Business Tax Increases in Tax Cuts and Jobs Act. Retrieved from <https://taxfoundation.org/tax-cuts-jobs-act-business-tax-increases/>

4. National Association of Manufacturers (2023, October). Stricter Interest Expense Limitation to Cost Nearly 900,000 Jobs. Retrieved from <https://nam.org/nam-study-stricter-interest-expense-limitation-to-cost-nearly-900000-jobs-291247>