



November 30, 2022

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi, Majority Leader Schumer, Republican Leader McConnell, and Republican Leader McCarthy:

The urgency of restoring the full deductibility of Research and Development (R&D) expenses by year end cannot be understated. Congress must address this harmful tax change in any end-of-year legislation.

It is more clear than ever before that U.S. competition with China is growing and exacerbated every day that we continue to handcuff American innovation. While Congress is placing a renewed focus on fragilities in our supply chain and the erosion of America's innovation in critical technologies compared to China, it is important to recognize the important role of the tax code in incentivizing the private sector, and particularly the aerospace and defense industry, to do what it always does best—research and develop the next generation of technologies to keep the warfighter and everyday Americans safe and maintain our global economic competitiveness.

Between 2000 and 2019, China's share of global R&D rose nearly 488 percent, from 4.9 percent to 23.9 percent.¹ At the same time, China extended its super deduction for R&D expenses for manufacturing companies to an extra 100 percent of eligible R&D expenses in addition to actual expenses incurred. That means for every \$100 spent on innovation, Chinese companies can deduct \$200, ten times more than American companies in a similar situation.

These financial implications undermine our national security and our ability to outpace the growing China threat. As leaders of America's leading aerospace and defense companies, we urge you to close out the 117th Congress by addressing the R&D amortization requirement and in doing so, taking strong action to strengthen our global R&D posture relative to China and other nations.

Respectfully,

¹ <https://crsreports.congress.gov/product/pdf/R/R45403>



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Kathleen Boyle
Chairman & CEO
Verify, Inc.



cc:

Senator Ron Wyden

Chair, Senate Finance Committee

Senator Mike Crapo

Ranking Member, Senate Finance Committee

Congressman Richard Neal

Chair, House Ways and Means Committee

Congressman Kevin Brady

Ranking Member, House Ways and Means Committee