



June 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 Representatives
Washington, D.C. 20515

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

We strongly urge you to include a delay to the R&D amortization tax law change in the COMPETES/USICA Conference. It is of grave concern that without immediate action, this harmful tax change will stifle American manufacturing and innovation investment. Beginning in January 2022, American companies were no longer able to immediately expense the full value of their investments in R&D in the year they were incurred. Fortunately, there is bipartisan and bicameral support for restoring the ability to immediately expense R&D costs in the Bipartisan Innovation Act as reflected in the overwhelmingly strong bipartisan Motion to Instruct vote before the start of conference last month.

Reversing the R&D amortization requirement is not just sound tax policy but will also provide direct benefits to maintaining our competitive edge against China and supporting our manufacturing workforce—two major goals of the COMPETES/USICA Conference.

While China extended its super deduction for R&D expenses allowing manufacturing companies to deduct an extra 100 percent of eligible R&D expenses in addition to actual expenses incurred, the amortization requirement will cost American companies \$29.1 billion by September 2022. American companies have always played a leading role in advancing the technology we need to maintain our competitive edge, notably in the defense sector. Similarly, we must use every tool at our disposal to emphasize and encourage research and development like China does.

Addressing this tax change is also necessary to revive our manufacturing workforce and incentivize production of American made goods. With less private investment in R&D, our nation continues to lag behind in high-tech skills and expertise necessary to produce vital technology like semiconductors. Additionally, many companies use R&D for operations research, which makes operations more efficient.

As you know, maintaining America's competitive edge has never been more essential, and we cannot afford to handcuff innovation with tax policy that disincentivizes R&D. We look forward to working with you to address this issue in the COMPETES/USICA Conference.

Respectfully,



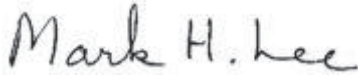
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Christopher D. Kastner
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Huntington Ingalls Industries



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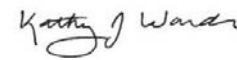
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