



March 30, 2023

The Honorable Maggie Hassan
U.S. Senator
324 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Todd Young
U.S. Senator
185 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Hassan and Senator Young:

On behalf of the Aerospace Industries Association (AIA), which represents more than 320 American aerospace and defense companies, thank you for your leadership in addressing the need to restore the full tax deductibility of research and development (R&D) expenses.

Our members are America's leading designers and manufacturers of commercial aircraft, engines, satellites, and launch vehicles. These cutting-edge, highly advanced innovations and technologies not only provide for America's national and economic security, but they also enable and empower countless facets of modern life – and exist in part because of a U.S. tax code that supported significant private investments in R&D. However, last year's change to the tax code requiring R&D expenses to be amortized over five years has challenged industry's ability to continue these and other investments. Your legislation, S. 866, is crucial to ensuring the incentive to invest in the innovation continues for decades to come.

If S. 866 is not enacted soon, the country risks losing over 260,000 jobs and \$82 billion in GDP in 2023 alone.^[1] Moreover, we risk continuing the decline in real private investment in R&D, which began in the two final consecutive quarters of last year^[2] – the first time private investment in R&D has dropped in seven years. We must retain our competitive edge particularly in the aerospace and defense industry, not only to benefit the U.S. economy, but also to outpace the growing China threat. Chinese companies can already deduct 10 times more on R&D expenses than U.S. companies as a result of their super deduction enacted in 2019.^[3] Rather than allow ourselves to fall behind, we must incentivize R&D to create the next generation of technologies that keep our troops and everyday Americans safe.

AIA urges the Senate Finance Committee to consider S. 866 in short order and congressional leadership to bring it to the Senate floor for a vote soon after. Doing so will prevent the loss of jobs and spur the innovation necessary to ensure America's future competitiveness. Delaying action risks the permanent loss of private R&D spending as budgets are trimmed and projects are shelved. We must avoid this self-inflicted injury.

We thank you again for your leadership on this issue and for introducing this timely, critical bill.

Respectfully,

A handwritten signature in black ink that reads "Eric Fanning". The signature is written in a cursive, flowing style.

Eric Fanning
President and CEO

^[1] <https://www.nam.org/new-data-taxing-rd-will-cost-u-s-more-than-260000-jobs-next-year-if-congress-doesnt-act-19948/>

^[2] U.S. Bureau of Economic Analysis, "Table 5.3.1. Percent Change From Preceding Period in Real Private Fixed Investment by Type".

^[3] <https://crsreports.congress.gov/product/pdf/R/R45403>