SUBMITTED VIA E-MAIL: WMSubmission@mail.house.gov

December 14, 2023

The Honorable Chairman Jason Smith
Ways and Means Committee
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Chairman Mike Kelly
Ways and Means Committee – Tax Subcommittee
U.S. House of Representatives
1707 Longworth House Office Building
Washington, DC 20515

Re: Comments on Ways and Means Committee Tax Subcommittee's December 6, 2023, Hearing on Tax Policies to Expand Economic Growth and Increase Prosperity for American Families

Dear Chairman Smith and Chairman Kelly:

The American Chemistry Council (ACC), based in Washington, D.C., represents the leading companies engaged in the business of chemistry. ACC member companies apply the science of chemistry to create and manufacture innovative products that make people's lives better, healthier, and safer. A complete listing of our member companies can be found at our website www.americanchemistry.com.

The US chemical industry supports a vast supply chain, and with $639 billion worth of shipments in 2022, accounts for 11% of the world's chemical production. Our industry is one of the world's largest exporters, at $179 billion accounting for 10% of all US goods and maintains a large and growing trade surplus of $24 billion in 2022. We are a leader in capital investment with $26 billion in new 2022 spending as well as over $13 billion in domestic R&D investment.

ACC appreciates the opportunity to submit comments in response to the Tax Subcommittee's hearing on Wednesday, December 6, 2023, on tax policies to expand growth and increase prosperity for American families.

Immediate R&D Expensing, Section 163(j) Interest Expense Limitation, and Full Expensing

US Economic growth requires sound tax policies that incentivize capital investment, job creation and global competitiveness of US businesses. Immediate R&D expensing, the pre-2022 Section 163(j) interest expense deduction limitation, and full expensing of capital equipment purchases are all tax policies that allow US businesses to thrive, create jobs and strengthen the US economy.

Historically, businesses were able to fully expense R&D costs in the year incurred. However, for tax years beginning after December 31, 2021, businesses are required to amortize these expenses over five or 15 years. Not only does this change increase R&D costs and affect taxpayers' cash flow but also deters job creation and discourages R&D activity in the US.

Similarly, for tax years beginning after December 31, 2021, Section 163(j) further limits the deductibility of interest expenses on business loans. For prior tax years, interest expense deductions were limited to 30% of a business' earnings before interest, tax, depreciation and amortization (EBITDA). The deduction is now limited to 30% of earnings before interest and tax (EBIT). Eliminating depreciation and amortization from the calculation decreases the deduction businesses are able to claim, which makes borrowing more expensive. Companies are already struggling with high interest rates. Further increasing financing costs makes our US companies fall behind on global competitiveness, as none of our major trading partners have a similar tight limitation.

Moreover, starting in 2017 the Tax Cuts and Jobs Act allowed businesses to claim a 100% deduction on certain purchases of machinery and equipment in the year of purchase. This change in policy encouraged companies to make significant capital investments and grow their businesses. However, this expensing benefit began to phase out in 2023 and is set to fully expire by 2027. Full expensing is a vital mechanism for companies to continue to invest in their businesses, remain competitive and fuel the US economy.

The ACC urges Congress to take action in 2023 or as early as possible in 2024 to restore immediate R&D expensing, revert to pre-2022 Section 163(j) interest deduction limitation based on EBIDTA and extend the full expensing provision.

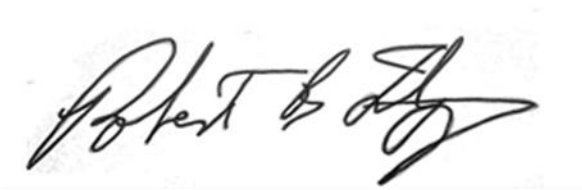
Superfund Tax

The U.S. Infrastructure Investment and Jobs Act reinstated the Superfund chemical tax (Superfund Tax) that expired in 1995. The Superfund Tax imposes an excise tax on the sale or use of taxable chemicals and taxable substances.

The US chemical industry, which is already facing supply chain challenges, increased foreign competition and slim margins, opposed the reinstatement of the Superfund Tax given its negative impact and continues to urge Congress for its repeal. The Superfund Tax increases the costs of US chemical manufacturers and their customers, which is inflationary, and will, in turn, lead to a decline in US manufacturing activities. In addition, it will potentially exacerbate the supply chain challenges of the US chemical industry and other industries that rely on us, by increasing the cost to manufacture products.

ACC appreciates the opportunity to provide this feedback. We look forward to working with you to address these and other issues related to the above matters. Thank you for your time and attention.

Very truly yours,



Robert B. Flagg
Senior Director, Federal Affairs
American Chemistry Council

cc: The Honorable Richard Neal

The Honorable Mike Thompson