

5/25/2023

RE: Request to Support Legislation Repealing R&D Amortization

To the Ohio Congressional Delegation:

The Dayton Area Chamber of Commerce serves 2,200 business members in 14 counties, over 96% of which are small businesses. We are joining with several of those members today to urge you to support legislation authored by Senators Maggie Hassan (DNH) and Todd Young (R-IN) and Congressman Ron Estes (R-KS) and John Larson (D-CT) that will repeal the R&D amortization requirement. Small and medium sized businesses across Dayton, and indeed, across our country, are being disproportionately impacted by the R&D amortization requirement. As the Dayton region's business advocacy arm, the Dayton Area Chamber of Commerce is committed to growth in the region by advocating for policies that spur economic development, innovation and community vibrancy. The repeal of this requirement is critical if the U.S endeavors to remain competitive in the R&D space, and is imperative to a community like Dayton, which is home a robust small business research and innovation eco-system.

Since 1954, Section 174 of the federal tax code allowed businesses to deduct qualified research expenses in the year those costs were incurred. Congress created the related R&D tax credit in 1981. These long-standing rules provided a current tax benefit that matched up with current expenditures. This helped existing and startup businesses see immediate tax benefits for funds spent on innovation. As part of the Tax Cuts and Jobs Act of 2017, Congress changed how taxpayers write off R&D expenses. Starting on January 1, 2022, many of our small business owners and other innovators can no longer write off R&D expenses in the year they are incurred and now must amortize those expenses over five years in most cases. Amortization of R&D expenses is causing significant cash flow problems for businesses across our region, which will impact their ability to innovate and create jobs.

The U.S. is currently only one of two developed countries that requires amortization of R&D expenses and many of our competitors, including China, offer businesses larger incentives for R&D. On behalf of the 2200 member companies of the Dayton Area Chamber of Commerce, who represent 200,000 employees across our region, we urge you to support legislation repealing the R&D amortization requirement.

Thank you for your consideration of this important issue, and we look forward to hearing from you.

Sincerely,

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|------------------------------------|----------------------|------------------|
| Dayton Area Chamber of<br>Commerce | Brady Ware & Company | LMK Advocacy     |
| AT&T                               | Day Air Credit Union | Miller Valentine |
|                                    | JYG Innovations      | Think Patented   |