



May 17, 2017

The Honorable John Thune
United States Senate
511 Dirksen Office Building
Washington, DC 20510

Dear Senator Thune:

I write in support of S.1144, the Investment in New Ventures and Economic Success Today (INVEST) Act of 2017. Your legislation offers important tax relief for small and medium businesses and startups in a way that encourages innovation, growth, and expansion. All Senators should support this important legislation.

For small and medium sized businesses, the complexity of the tax code creates unnecessary burdens and costs that impede innovation and the formation of capital. The past eight years has seen the worst economic recovery in the modern era. Today, 50 percent of small businesses fail five years after they first begin in part due to excessive rules and regulations that stifle growth.

These trends should be reversed through pro-growth tax policy that encourages investment and innovation. In turn, this reform will promote strong economic growth and the creation of new jobs and higher wages.

The INVEST Act does this in three ways.

First, the INVEST Act expands the ability of small businesses to immediately deduct the cost of investments by expanding Section 179 of the code, and making 50-percent expensing permanent. Section 179 allows small businesses to expense \$500,000 worth of equipment purchases every year, with a phase out of \$2.5 million. This legislation expands Sec. 179 so businesses can expense \$2 million in purchases every year, with a phase out of \$5 million. For purchases above this threshold, the INVEST Act makes 50-percent "bonus" depreciation permanent, so businesses can immediately deduct half of the cost of new investments.

Moving the tax code closer to a cash-flow system, where business investments can be immediately expensed, is a crucial goal of pro-growth tax reform. While the best policy would be 100 percent, immediate full businesses expensing, the INVEST Act is significant progress in the right direction.

In addition to these changes, S. 1144 also shortens depreciation schedules for farm machinery and equipment, business vehicles, and acquired intangibles such as patents and copyrights, so that business owners can more quickly recover these costs.

Second, the legislation expands the ability of businesses to expense startup costs.

Currently, businesses can deduct \$5,000 worth of costs related to starting up their businesses. This legislation expands the limit to \$50,000 and increases the phase out to

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\$100,000. Businesses would also be able to recover the costs of any expenses outside of this limit over a ten year window.

Third, the INVEST Act increases the flexibility of businesses to use accounting methods that best suit their needs. Specifically, the INVEST Act increases the threshold for using cash accounting from \$5 million to \$15 million, simplifies inventory accounting so small and medium sized businesses can deduct these costs immediately, and expands the threshold for using the completed-contract method of accounting.

Simplifying the tax code and moving to a cash-flow system that allows business owners to immediately recover the cost of new investments are two key planks of pro-growth reform. If signed into law, the INVEST Act would lead to stronger growth, higher wages, and more jobs. All Senators should support this bill.

Onward,

A handwritten signature in blue ink, appearing to read 'G. Norquist', written in a cursive style.

Grover G. Norquist
President, Americans for Tax Reform