April 9, 2024

Dear Senators,

We the undersigned organizations write in support of H.R. 7024, the Tax Relief for American Families and Workers Act (TRAFWA) which extends major provisions of the 2017 Trump tax cuts.

Passing this pro-growth tax relief package will strengthen American competitiveness vis-à-vis China, lead to more jobs, higher wages for workers, and encourage new investment and innovation for American businesses.

This legislation would extend three key cost recovery provisions of the Tax Cuts and Jobs Act (TCJA), the 2017 Republican tax cuts signed by President Trump. According to the Tax Foundation, out of the 11 separate tax cuts included in the 2017 tax cuts, these three expiring cost recovery provisions create the largest economic boost. Extending these provisions now protects TCJA's core pro-growth policies and represents a crucial step in achieving full permanency for the 2017 tax cuts.

Specifically, this legislation:

1. **Extends Full Business Expensing (Section 168(k) of the Internal Revenue Code).** This legislation would restore full business expensing, also known as bonus depreciation, implemented in TCJA for new investments. This policy encourages new investment to promote greater facility expansion, economic productivity, job growth, and higher wages. This policy also simplifies the tax code by equalizing the tax treatment of new investments with other business expenses such as wages, rent, and healthcare costs.

2. **Restores Immediate Deduction of R&D Costs (Section 174).** TCJA allowed companies to immediately deduct research and development costs. However, as of 2022, companies must again gradually spread those expenses over 5 years. This bill temporarily restores full expensing for research and development costs, incentivizing American innovation.

3. **Restores Interest Deductibility (Section 163(j))** Under the TCJA, businesses could deduct net interest expenses up to 30 percent of earnings before interest, tax, depreciation, and amortization (EBITDA). Unfortunately, starting in 2022, the

deduction was narrowed to 30 percent of earnings before just interest and tax (EBIT). Restoring the TCJA policy lowers the tax burden for many capital-intensive taxpayers, including manufacturing businesses that are facing notably higher interest rates.

The importance of extending these key tax provisions was reflected in the overwhelming show of bipartisan support for TRAFWA in the House of Representatives, passing by a supermajority vote of 357-70.

However, after passing the House nearly two months ago, TRAFWA remains stalled in the Senate as lawmakers reportedly seek improvements to the legislation's expansion of the Child Tax Credit (CTC).

Senators have expressed valid concerns over the bill's expansion of the CTC, notably the increase in the share of the CTC that is refundable and the temporary "one-year lookback" that allows taxpayers an election to use their prior-year earned income to calculate their maximum child tax credit. However, these provisions should be assessed based on their impact to current law and viewed in the context of the total tax package and the bipartisan compromise it reflects.

For context, TRAFWA's expansion of the CTC would only increase the share of the credit that is refundable from 39.5% under current law to 43.3% for FY 2025 should TRAFWA become law, according to estimates from the Joint Committee on Taxation (JCT). Additionally, the Congressional Budget Office estimates the temporary "one-year lookback" would increase outlays by $739 million in 2025. These compromise provisions are part of a package the secures roughly $185 billion worth of tax relief from expired TCJA provisions over the next two years.

We therefore remain hopeful that a compromise over the CTC provision can be reached and encourage Senate negotiators to come to an agreement.

However, during negotiations over the CTC it is critical that Senators maintain work incentives and protect safeguards put in place by the House against political interference from the IRS. Specifically, we urge Senators to:

1. **Protect work incentives in the current framework of the CTC.** Analysis of TRAFWA released by the Joint Committee on

Tax (JCT) concluded "the proposed expansion of the child tax credit on net increases labor supply." Negotiations in the Senate should not result in any weakening of current work incentives in the CTC.

2. **Safeguard TRAFWA's protections against politically timed IRS adjustments to tax refunds.** During the committee markup, the Ways and Means Committee inserted specific language that forces the IRS to process CTC return adjustments "as expeditiously as possible" that would render any political game playing from the Biden Administration to delay returns as clearly illegal. IRS Commissioner Danny Werfel recently testified before the House Ways and Means Committee that if this legislation becomes law, CTC adjustments would be processed in roughly six weeks from enactment. Preventing political meddling by the IRS must remain a priority for Congress and Senate negotiators should maintain these protections for taxpayers.

Passing this pro-growth tax relief package should be the top tax priority for this Congress. We encourage Senators to support this vital legislation which will increase American competitiveness, lead to more jobs, higher wages for workers, and encourage new investment and innovation for American businesses.

Onwards,

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President, Americans for Tax Reform

Marty Connors
Director, Alabama Center/Right Coalition

Stephanie Smith
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Ryan Ellis
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Tom Schatz
President, Council for Citizens Against Government Waste

Chuck Muth
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James Erwin
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