

THE NEW ENGLAND COUNCIL

December 2, 2022

Dear New England Delegation,

On behalf of the members of The New England Council, we urge you to reverse a harmful tax change which threatens jobs and innovation in New England. As you know, the New England region is recognized as a global innovation hub and is home to industry-leading companies across an array of sectors including semiconductors, life sciences, renewable energy, biotechnology, and more. For years businesses have been allowed to fully deduct their R&D expenses in the same year because the tax code appreciated the importance of research and development. However, under a provision of the Tax Cuts and Jobs Act of 2017, beginning this year, businesses must amortize or deduct these expenses over a period of years. This will ultimately make R&D more costly to conduct in the New England and across the U.S. The New England Council believes firmly that the current Research and Development amortization requirement will halt and harm our region's continued growth and leadership on the global stage.

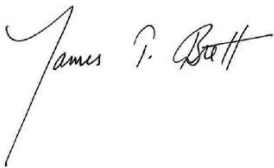
A recent National Association of Manufacturers (NAM) letter cited an EY study which found:

“[F]ailing to reverse this change will cost well-paying jobs and reduce future innovation-directed R&D. Requiring the amortization of research expenses will reduce R&D spending and lead to a loss of more than 20,000 R&D jobs in the first five years with the number of lost jobs rising to nearly 60,000 over the following five years. Moreover, when accounting for the spillover effect from R&D spending, nearly three times as many jobs will be affected. This same study also found that for every \$1 billion in R&D spending, 17,000 jobs are supported in the U.S.”

As a result of this change, the US is now only **one of two** developed countries requiring the amortization of Research and Development expenses. Comparatively, our nation's competitors, such as China, currently provide a “super deduction” for Research and Development expenses which drastically increases the allowed amount deducted for companies who previously did not qualify. This will take Research and Development facilities and funding away from the US because it will be more costly to do research in our own nation. This will damage our competitiveness and lead to national security ramifications.

For New England's innovation economy to continue to grow and thrive, The New England Council supports advancements in federal policies that will support U.S. innovation and global competitiveness. Therefore, we respectfully ask Congress to ensure that the tax code continues to support innovation. In doing so will help secure New England and the Nation's global leadership in innovation and its economic and national security future. If you or your staff have any questions or would like to discuss further, please feel free to contact me or Mariah Healy, our Director of Federal Affairs, at mhealy@newenglandcouncil.com.

Sincerely,



The New England Council

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