February 22, 2017

The Honorable Kevin Brady
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Orrin G. Hatch
Chairman, Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairmen Brady and Hatch:

On behalf of the undersigned organizations we write in support of immediate, full business expensing as a crucial concept in pro-growth tax reform. Under the current system of depreciation, business owners must deduct the cost of purchasing equipment over several years depending on the asset they purchase, as dictated by complex and arbitrary rules.

Replacing this system with full business expensing should be an integral part of creating a tax code that encourages growth, innovation, and a competitive economy. According to research by the Tax Foundation, implementing full business expensing would lead to 5.4 percent higher long-term GDP, would create more than 1 million full time jobs, and would increase after-tax income by 5.3 percent.

Implementing full business expensing is also a way to stop the code from arbitrarily picking winners and losers. Existing rules create needless complexity, and force business owners to make decisions for tax reasons, instead of based on what is most economically beneficial. Currently, there are two different systems of depreciation and investments can be depreciated over 3, 4, 5, 7, 10, 12, 14, 15, 20, 25, 27.5, 30, 35, 39, 40, or 50 years depending on the system used and the asset purchased. This makes no sense and is bad tax policy.

The House Republican "Better Way" blueprint released last year meets the goals of full expensing by implementing a "cash flow" system of taxation. Under this system US business receive a zero percent rate on any expense or investment made.

Regrettably, other tax reform proposals, like the "Tax Reform Act of 2014," released by former Ways and Means Chairman Dave Camp went in the other direction. Not only did the plan lengthen depreciation schedules, it also took aim at specific business costs, like advertising expenses.

This is the wrong approach to tax policy and would undermine the gains from full business expensing. Congress should make the tax code as simple and fair as possible. That means treating all expenses equally, whether that means wages and other forms of compensation, travel, rent, advertising, etc. None of this is particularly exotic.

If Congress attempts to pick winners and losers by singling out certain industries, it will invariably create far more losers than winners. For instance, denying full expensing to advertising expenditures would negatively impact an industry that contributes $5.8 trillion in total economic output and is tied to 20 million jobs directly or indirectly.

Restricting the ability to deduct advertising costs would be detrimental to local and national advertisers, broadcasters, print and online media, and other firms that rely on advertising as their primary source of income. Imposing higher costs on businesses would reduce their ability to create jobs, value, and economic growth.

Any serious, pro-growth tax reform package must include across-the-board, full business expensing. Any proposal that limits businesses' current ability to deduct advertising costs, or other costs central to running a successful business, should be rejected immediately.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

Pete Sepp
President, National Taxpayers Union

Steve Pociask
President, American Consumer Institute

Thomas Schatz
President, Council for Citizens Against Government Waste

Katie McAuliffe
Executive Director, Digital Liberty

George Landrith
President, Frontiers of Freedom

Mario H. Lopez
President, Hispanic Leadership Fund

Tom Giovanetti
President, Institute for Policy Innovation

Allen Gutierrez
National Executive Director, The Latino Coalition

Karen Kerrigan
President & CEO, Small Business & Entrepreneurship Council

David Williams
President, Taxpayers Protection Alliance

Berin Szoka
President, Tech Freedom