COMMITTEE ON WAYS & MEANS
**REPUBLICANS**

# Title I: Growth in Business Investment to Boost American Wages and Jobs

## Sec. 101 – Permanent Expensing for Qualified Property

**Permanently extending full and immediate expensing means:**

- **Work that works:** Workers get the tools they need to do their work well, resulting in better wages and more opportunity.
- **A Plan for Growth:** Businesses will have more certainty as they look toward the future and plan for expansion and innovation.
- **Ensuring Investing Pays Off:** Tax treatment of capital can impact the profitability of investments by changing the cost of capital.
- **Boosts Confidence and Reduces Costs:** Expensing makes investments less expensive for firms and encourages economic growth activity.
- **Make permanent the full expensing provisions in the Tax Cuts and Jobs Act.**
- **Immediate expensing incentivizes long-term investments by providing a business an opportunity to deduct certain expenses in the tax year in which they occur.**

## Sec. 201 – Permanent EBITDA Standard for Interest Limitation

- This provision will make investments new production and equipment more affordable for job creators.
- For years after 2021, businesses may continue to determine their interest expense limitation without regard to deductions for depreciation, amortization, or depletion.
- It encourages businesses to continue investing in growing their operations by maintaining the current amount of interest they can currently deduct in a given year.

# Title II: Growth in Research in America

## Sec. 201 – Repeal R&D Amortization

- Ensures that America continues to be the global leader in innovation by repealing the requirement to amortize R&D costs beginning in 2022.
- Grows our economy by restoring immediate R&D expensing that has long supported jobs and innovation.
- Incentivizes long-term investments in technological breakthroughs by allowing businesses to deduct R&D costs in the tax year that they occur.
- Businesses can continue to expense their R&D costs in the year they are incurred, instead of requiring these costs to be amortized over a 5-year period beginning in 2022.

## Sec. 202 – Double R&D Credit

- A **40 Percent "Traditional" Credit:** Double the existing traditional credit rate of 20 percent to 40 percent of the increase in R&D spending for more established companies, which uses a complicated formula to determine the increase in spending.
- **A 28 Percent Alternative Simplified Credit (ASC):** Double the existing ASC rate of 14 percent to 28 percent of the increase in R&D spending, which uses a simpler formula to determine the increase in spending.
- **A 14 Percent Credit for Firms with Little Research History:** Raise the credit of 6 percent of the R&D spending to a credit of 14 percent of the spending if the company has no history of U.S. research in the past 3 years (but for a prior drafting error this credit would have been 7 percent).
- **Double the Startup Limit to $500,000**: Companies with a relatively small amount of income in the past five years can choose to take one of the above credits as a credit against their Social Security payroll taxes, but the amount they may claim is limited to $250,000.

## Sec. 203 – Intellectual Property Repatriation

- American companies can bring back intellectual property (IP) developed offshore without any immediate U.S. tax cost.
- Companies would still have to pay tax if they sold the IP in the future.
- Could continue to hold and use formerly foreign IP within the United States to support U.S. production and associated research and development.
- Supports high-paying jobs in production and applied research and, ultimately, a higher standard of living for all Americans.

# Title III: Growth in America's Medical Independence

## Sec. 301 – Domestic Medical and Drug Manufacturing Credit

- Lowers tax rate on the income from the domestic manufacturing and sales of active pharmaceutical ingredients (API) and medical countermeasures.
- By providing a credit of 10.5 percent of the net income from the sale of these important medical products, this effectively cuts the corporate tax rate from 21 percent in half on eligible profits.
- The credit is limited by the wages allocable to the domestic production, which supports good high-paying jobs in the United States.

## Sec. 302 – Advanced Medical Manufacturing Credit

- 30 percent tax credit for new investments in advanced manufacturing equipment or machinery used in the U.S. to manufacture medicines and medical devices.
- The credit phases down to 20 percent in 2028, 10 percent in 2029, and phases out in 2030.

## Secs. 303 & 304 – Bonus R&D and Refundable R&D for Pre-revenue Companies

- To provide these pre-revenue companies with additional liquidity, this proposal allows them to calculate their R&D tax credits and receive an annual refund of that amount. So, if a company engaged in R&D activity related to medical countermeasures generates $10 million in R&D tax credits in a year, it would be eligible for a tax refund of $10 million to provide it with additional liquidity to continue its drug development.
- To incentivize firms engaged in infection disease research, this proposal provides a “bonus R&D credit” of 14 percent of any qualified research costs associated with the development of countermeasures, like infectious disease therapies, on top of the normal R&D credit that would apply to these same costs.

## Sec. 305 – Medical Research Pass-through Losses & Credits

- Relaxes the passive loss rules for losses and credits attributable to medical countermeasures research of pre-revenue pass-through business.
- This will help these smaller firms raise private funds from more investors at an earlier stage.

# Title IV:Growth in Innovation and Technology Breakthroughs

## Secs. 401 & 402 – Start-up expenditures – Start-up NOL preservation

- Special tax treatment will help with start-up costs and preserve valuable tax attributes like R&D credits.