BACKGROUNDER ON PUSH FOR END-OF-YEAR CORPORATE TAX BREAKS & RETIREMENT PLAN TAX BREAKS BENEFITING THE WEALTHY

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After passing historic corporate tax reform in the Inflation Reduction Act earlier this year, Congress now risks erasing those tax-fairness gains in a lame-duck tax package rife with costly corporate giveaways. Legislation currently under discussion would extend—at a cost of up to $600 billion—three expired or expiring provisions of 2017's Trump-GOP tax law benefitting big corporations, and also enact a retirement-savings tax plan heavily slanted towards wealthy families. Americans for Tax Fairness strongly opposes any new or modified corporate tax breaks; corporations should be contributing more of their fair share, not less.

OPPOSE REINSTATING RESEARCH & EXPERIMENTATION EXPENSING (*section 174*)

Historically businesses have been able to immediately deduct from taxable income their full R&E costs (also known by the abbreviation "R&D" for "research and development"). But the 2017 Trump-GOP tax law reduced this benefit starting in 2022 to partially offset the costs of a 40% cut in the corporate income tax rate and other tax giveaways to big business. Starting this year, firms must "amortize" these expenses, meaning they must spread the cost for tax purposes over five years. Republicans are now trying to undo this policy—one of the few provisions of their 2017 law that actually raised taxes on big businesses—by retroactively delaying its implementation till next year.

A one-year (*retroactive*) delay would cost $60 billion; permanent extension would cost $155 billion (CRFB).

- The ATF Coalition and the Institute on Taxation and Economic Policy sent a letter to Congress in March opposing the R&E extension without revenue offsets.
- ATF released this analysis showing that many of the major corporations lobbying Congress for this tax break have paid little or no federal income taxes over the past three years

OPPOSE RESTORING NET INTEREST DEDUCTION LIMITS (*section 163j*)

Under the Trump-GOP tax law, the deduction for business interest expense was limited to 30% of a corporation's earnings before interest, tax, depreciation and amortization (EBITDA) through the end of 2021. Starting this year, the deduction was limited to 30% of earnings before interest and tax (EBIT). Having to subtract depreciation and amortization costs before determining the limit leads to a smaller earnings figure and therefore a smaller amount of deductible interest.

A one-year (*retroactive*) delay would cost $20 billion; permanent extension would cost $200 billion (CRFB).

OPPOSE EXTENDING 100% BONUS DEPRECIATION

The Trump-GOP tax law instituted, on a temporary basis, 100% bonus depreciation, which allows businesses to write off the full cost of an asset in the year of its purchase, instead of slowly over time, as more accurately reflects genuine loss of value. This tax break is supposed to shrink beginning next year, when only 80% of an asset's purchase price is to be deductible in the year of purchase—the start of a 20-percentage-points per year phaseout of bonus depreciation resulting in its disappearance in 2027.
A one-year delay would cost $15 billion; permanent extension would cost $250 billion (CRFB).

OPPOSE ENHANCING AMERICAN RETIREMENT NOW (EARN) ACT

In June 2022 the Senate Finance Committee advanced the EARN Act, which would expand a number of tax benefits offered for retirement accounts. In a letter the ATF coalition expressed its concern that this legislation would exacerbate inequality by giving the rich more tax breaks to shelter their investment income for longer while failing to meaningfully assist most working families to save for retirement.

Additionally, this legislation is riddled with budget gimmicks that obscure its true cost. For instance, a provision that encourages contributions to Roth Individual Retirement Arrangements (IRAs) is scored by JCT as raising $39 billion in its first 10 years, because unlike contributions to ordinary IRAs, those to Roth IRAs are not deductible. But since, again unlike regular IRAs, withdrawals from Roth IRAs are not taxable, leading tax experts predict this policy change will actually lose revenue long term. The bill also delays implementation of costly provisions—such as the expanded Savers Credit and increases in the minimum distribution age—to lower their cost over the next 10 years, the span used for JCT revenue scoring.
Officially EARN raises $100 million; excluding budget gimmicks, it will cost $84 billion (CRFB).

- The ATF coalition sent a letter to Congress in June opposing the EARN Act in its current form and urged significant alterations.