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BritishAmerican Business Submission to Ways and Means Republican Tax Teams

(Tax Team: Global Competitiveness)

We are writing on behalf of the members of BritishAmerican Business to express our strong support for maintaining and enhancing several key provisions of the Tax Cuts and Jobs Act (TCJA) and other related tax policies that are crucial for the continued growth and competitiveness of U.S. businesses and employees and U.S. subsidiaries of multinational companies. The United Kingdom (U.K.) is by a wide margin the most important overseas investor in the United States. In 2022, investment by U.K. businesses in the U.S. rose to over $660 billion, and U.K. companies employ more than 1.2 million American workers.

BritishAmerican Business (BAB) is the leading U.S.-U.K. transatlantic trade association, incorporating the British-American Chamber of Commerce in the U.S. and the American Chamber of Commerce in the U.K. We are committed to strengthening the economic corridor between the U.S. and the U.K, and support policies and actions that enhance the environment for transatlantic trade and investment on behalf of our 450+ members.

As the leading trade and business association representing transatlantic companies with investment in and operations across the United States, we welcome the opportunity to provide comments to Ways and Means Republican Tax Teams on the importance of a competitive tax environment for international businesses investing in America.

A competitive tax environment is critical to investment decisions made every day. This is particularly true as the competition for major inward investment projects has rarely been more intense.

The 2017 Tax Cuts and Jobs Act was an important pillar to increasing stability and global competitiveness of the U.S. to international business. We see the current study into the TCJA provisions as an important opportunity to identify ways to strengthen global competitiveness which is necessary for attracting investment into the U.S. from domestic and international business.

On behalf of our members, we ask for the following priorities to be protected as Congress considers major tax legislation next year.

- **Protect the Corporate Income Tax Rate (21%):** The current corporate income tax rate of 21% has been instrumental in fostering a competitive business environment for businesses operating in the U.S. Maintaining this rate is essential for ensuring that U.S. companies as well as U.S. subsidiaries of multinational companies can continue to thrive and compete globally, particularly as corporate rates have been reduced globally over the last several years. A stable and predictable tax rate encourages investment and economic growth, benefiting the broader economy.

- **Prevent the Automatic 2026 FDII Deduction Decrease:** The Foreign Derived Intangible Income (FDII) deduction is set to decrease from 37.5% to 21.875% in 2026. FDII is a vital tax deduction for U.S. export income, defined as income in excess of 10% of the value of a company's depreciable tangible assets related to export activities. Preventing this deduction from decreasing will support U.S. exporters and promote economic growth by maintaining incentives for companies to engage in international trade while keeping intellectual property in the U.S., as designed and desired.

- **Protect Against Expanding the Definition of BEAT Income:** The Base Erosion and Anti-Abuse Tax (BEAT) is a minimum tax that excludes deductions for certain payments such as interest and royalties. Expanding the definition of BEAT income, for example by excluding the deduction for Cost of Goods Sold (COGS), would unfairly burden businesses while having a significant negative impact on investment decisions. Additionally, protecting against the automatic BEAT rate increase from 10% to 12.5% is crucial. These measures ensure that businesses are not disproportionately penalized, allowing them to remain competitive.

- **Protect Against Additional Limits on Interest Deductibility:** Proposals such as 163(n) from 2021-22, which would have limited a company's U.S. share of worldwide interest deductions to 110% of its US share of worldwide EBITDA, pose significant challenges to U.S.-based and U.S. subsidiary businesses alike. Protecting against such limits is necessary to ensure businesses can effectively manage their finances. Business interest deductibility, which is already limited, is a key factor in business planning and investment decisions, and further limiting it would hinder economic growth.

- **Protect Full Deductibility of Advertising Expenses:** Advertising expenses are a critical component of business operations. Ensuring their full deductibility supports marketing efforts and overall business growth. Advertising drives consumer awareness and demand, which in turn stimulates economic activity and job creation.

Additionally, we ask that you support the following measures, which were included in the Tax Relief for American Families and Workers Act of 2024 but have not yet passed the Senate:

- **Reinstate Depreciation and Amortization to 163(j) Definition of Adjusted Taxable Income:** Following the TCJA change effective in 2022, the removal of Depreciation and Amortization limits deductions for interest expenses to 30% of Earnings Before Interest & Taxes (EBIT instead of EBITDA). Reinstating the EBITDA deduction limit is crucial for businesses to manage their interest expenses effectively. This change would provide businesses with greater flexibility in managing their finances and encourage investment, while still limiting total business interest that can be deducted year to year.

- **Reinstate 100% Accelerated/Bonus Depreciation Under Section 168(k):** The phase-down of full and immediate expensing for investments in machines, equipment, and vehicles (80% allowed in 2023, 60% in 2024, 40% in 2025, 20% in 2026) should be reversed to support capital investments and economic growth. Accelerated depreciation provides a strong incentive for businesses to invest in new equipment and technology, driving productivity and economic expansion.

We believe that these policy recommendations are essential for maintaining a robust and competitive economic environment in the U.S. By protecting and enhancing these key tax provisions, we can ensure that U.S. businesses and U.S. subsidiaries of multinational companies have the stability and incentives needed to invest, innovate, and grow. We ask that you consider these priorities and support measures that will foster transatlantic economic prosperity.

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