



September 23, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Wyden, Chairman Neal, Ranking Member Crapo, and Ranking Member Brady:

The undersigned associations, representing thousands of businesses and workers throughout the U.S. economy, write in strong support of permanently preserving the current limit on business interest deductions—which is scheduled to expire in 2022.

Current law limits businesses' interest expense deductions to 30% of earnings before interest, tax, depreciation, and amortization (EBITDA) for tax years through 2021. Starting in 2022, interest deductions will be limited to 30% of earnings before interest and tax (EBIT). By excluding depreciation and amortization, the stricter EBIT standard will make it more expensive for capital-intensive companies to finance critical purchases and grow their businesses.

When the EBIT standard takes effect in 2022, capital-intensive businesses will see an increase in their tax liability and financing costs. The lowered limitation will make it more difficult for these job creators to raise capital, hire new workers, and grow. The reduction in flexibility and liquidity caused by the change will also harm businesses' ability to recover from the economic damage caused by COVID-19. Further, limiting business interest deductions could harm U.S. competitiveness by making the United States an outlier compared to our peers in the OECD with interest limitation rules—none of which employ an EBIT-style standard.

Companies impacted by the change from EBITDA to EBIT will experience major reductions to their eligible interest deductions, large increases in their tax liabilities, or both. According to a recent study conducted by PwC, businesses affected by the change will on average see close

to a three-fold increase in their incremental tax obligations.¹ The industries most impacted by the change from EBITDA to EBIT are critical to the U.S. economy: the information and manufacturing industries will pay the most in new tax obligations under an EBIT standard, while accommodation and food services (3,462%), mining (2,840%), and transportation and warehousing (2,531%) will experience the greatest tax increases.

Without congressional action, these tax increases will take effect in less than six months. We respectfully encourage you to support investment and job growth at capital-intensive businesses across the country by permanently preserving an EBITDA standard for business interest deductions.

Sincerely,

Agricultural Retailers Association
AICC, The Independent Packaging Association
American Apparel & Footwear Association (AAFA)
American Automotive Leasing Association (AALA)
American Chemistry Council
American Coatings Association
American Forest & Paper Association
American Frozen Foods Institute
American Gaming Association
American Home Furnishings Alliance
American Investment Council
American Mold Builders Association
American Petroleum Institute
American Short Line and Regional Railroad Association
American Trucking Associations
American Welding Society
AMT - The Association For Manufacturing Technology
Associated Equipment Distributors
Association of American Railroads
Auto Care Association
Biotechnology Innovation Organization
Brick Industry Association
Composite Panel Association
CropLife America
CTIA
ECIA (Electronic Components Industry Association)

¹ *Economic Analysis of an EBIT-Based Business Interest Limitation*. June 2021. PricewaterhouseCoopers LLP, prepared for the American Investment Council. Available at <http://www.americasinterest.com/wp-content/uploads/2021/06/AIC-163j-Report-Final-2021-05-27.pdf>.

Energy Marketers of America
Equipment Leasing and Finance Association (ELFA)
Global Business Alliance
INDA, The Association of the Nonwoven Fabrics Industry
Independent Electrical Contractors
Independent Lubricant Manufacturers Association
Independent Petroleum Association of America
Industrial Packaging Alliance of North America
Institute of Makers of Explosives
Institute of Scrap Recycling Industries, Inc
International Association of Plastics Distribution
International Bottled Water Association
International Sign Association
Kitchen Cabinet Manufacturers Association
Metal Powder Industries Federation
Metal Treating Institute
Metals Service Center Institute
National Association of Chemical Distributors
National Association of Home Builders
National Association of Manufacturers
National Association of Printing Ink Manufacturers
National Association of Trailer Manufacturers
National Automatic Merchandising Association
National Cattlemen's Beef Association
National Community Pharmacists Association
National Confectioners Association
National Fastener Distributors Association
National Lime Association (NLA)
National Lumber & Building Material Dealers Association
National Marine Manufacturers Association
National Railroad Construction and Maintenance Association (NRC)
National Ready Mixed Concrete Association
National Restaurant Association
National Retail Federation
National Shooting Sports Foundation
National Stone, Sand and Gravel Association
National Waste & Recycling Association
National Wooden Pallet & Container Association
Non-Ferrous Founders' Society
Petroleum Equipment Institute (PEI)
Plastics Industry Association
Plastics Pipe Institute
Plumbing Manufacturers International

Railway Supply Institute
Resilient Floor Covering Institute
S Corporation Association
Small Business & Entrepreneurship Council
Small Business Investor Alliance
SNAC International
The Aluminum Association
The Council of Insurance Agents and Brokers
The Hardwood Federation
The Vinyl Institute
Truck Renting and Leasing Association
U.S. Chamber of Commerce
USTelecom - The Broadband Association