



May 15, 2023

The Honorable Kevin McCarthy
Speaker of the House
U.S. House of Representatives
Washington, D.C 20515

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Hakeem Jeffries
Democratic Leader
United States Senate
Washington, DC 20515

The Honorable Mitch McConnell
Republican Leader
U. S. House of Representatives
Washington, DC 20510

Dear Speaker McCarthy, Majority Leader Schumer, Republican Leader McConnell, and Democratic Leader Jeffries:

As the owners and executives of some of America's leading small businesses in the aerospace and defense industry and members of the Aerospace Industries Association (AIA), we write with urgency asking you to address a recent research and development (R&D) tax policy that is threatening our livelihoods and those of our employees.

Our businesses, though small, are significant drivers of American innovation. We support national security as part of the defense industrial supply chain, we develop and manufacture innovative technologies that make air travel safer, greener, and more efficient, and we are helping send Americans back to the moon and beyond. Our industry has always been on the cutting edge of what's next because of the ingenuity, talent, and financial and human resources we've put into it. However, with this recent tax change, our investment in innovation is now being penalized. Rather than receiving a full tax deduction for our R&D expenses in the year they are incurred, we are now required to amortize them over five years — essentially reducing our annual tax benefit to just 20% of what it used to be.

We are already feeling the very real, punitive effects of this policy. When filing our taxes last month, many of us were hit by alarming numbers, far beyond what we anticipated. These higher tax bills greatly reduce our cash flow — meaning that we will struggle to hire and retain qualified talent, and for some of us, we will need to take out loans to cover these larger-than-expected expenses. Additionally, we will have fewer dollars to invest into the future R&D that will keep our country on the cutting edge of aerospace and defense technologies — and ahead of our foreign competitors.

These are the most direct impacts of this tax change on our businesses – but more broadly, this tax policy is already having chilling effects on U.S. investment in R&D. According to PwC, private investment in R&D fell for the first time in seven years at the end of 2022.

Congress now has the opportunity to right this wrong. Two pieces of legislation have been introduced — S. 866, the *American Innovation and Jobs Act*, and H.R. 2673, the *American Innovation and R&D Competitiveness Act* — that will fix this harmful policy, and we urge you to bring them to the floor

swiftly. These bills offer a critical lifeline not only to us, but also to American small businesses across every industry and from every part of the country.

Both bills already have broad, bipartisan support from your colleagues, with 30 Senators co-sponsoring S. 866 and 88 Members co-sponsoring H.R. 2673. We thank Sens. Hassan and Young and Reps. Estes and Larson, as well as every member who has co-sponsored this bill, for their leadership and willingness to fight for America's innovators.

We appreciate your attention to this pressing issue, and welcome the opportunity to speak with you further on this topic.

Sincerely,

Acorn Growth Companies
Oklahoma City, OK

Acutec Precision Aerospace
Meadville, PA

ADI American Distributors LLC
Randolph, NJ

Advanced Navigation & Positioning Corp.
Hood River, OR

Aerospace Alloys, Inc.
Bloomfield, CT

AMI Metals
Brentwood, TN

Andrews Aerospace
Fort Worth, TX

APECS Aerospace
Charleston, SC

Athena Manufacturing
Austin, TX

Bauer, Inc.
Bristol, CT

CAE USA
Chantilly, VA

Click Bond, Inc.
Carson City, NV

Cox Machine, Inc
Wichita, KS

CPI Aero, Inc.
Edgewood, NY

Exostar, LLC
Herndon, VA

Expedited Climb Capital LLC
Andover, MA

GSE Dynamics
Hauppauge, NY

Hughes Bros. Aircrafters, Inc.
South Gate, CA

IERUS Technologies
Huntsville, AL

Integrated Support Systems, Inc.
Seneca, SC

InterConnect Wiring
Fort Worth, TX

Machine Specialties, Inc.
Whitsett, NC

Marotta Controls
Montville, NJ

Meyer Tool, Inc.
Cincinnati, OH

Paulo
St. Louis, MO

Precision Arrow Gear Group
Downers Grove, IL

Patriot Group LLC
Pasadena, MD

Third Wave Systems
Minneapolis, MN

Weldaloy Specialty Forgings
Warren, MI

Mercury Systems
Andover, MA

Muon Space
Mountain View, CA

PGL
West Irving, TX

Rocker Industries
Huntington Beach, CA

Therm, Incorporated
Ithaca, NY

Verify
Irvine, CA