



May 9, 2023

The Honorable Maggie Hassan  
United States Senate  
324 Hart Senate Office Building  
Washington, DC 20510

The Honorable Todd Young  
United States Senate  
185 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Estes  
United States House of Representatives  
2411 Rayburn House Office Building  
Washington, DC 20510

The Honorable John Larson  
United States House of Representatives  
1501 Longworth House Office Building  
Washington, DC 20510

RE: Repealing Section 174 amortization requirement - [S. 866](#), *American Innovation and Jobs Act* and [H.R. 2673](#) - *American Innovation and R&D Competitiveness Act of 2023*

Dear Senator Hassan, Senator Young, Representative Estes, and Representative Larson:

The AICPA greatly appreciates your continued leadership on legislative efforts to repeal the Internal Revenue Code section 174 amortization requirement of the research and experimental expenditures (R&E) provision. We have previously [supported](#) efforts to either defer the capitalization requirement until 2026 or permanently extend the deductibility of R&E costs, and now also support S. 866 and H.R. 2673 which fully reverse the change that was signed into law as part of the Tax Cuts and Jobs Act (TCJA).

The TCJA required, for tax years starting January 1, 2022, amounts defined as specified research and experimental expenditures, including any software development costs, to be capitalized and amortized ratably over a five-year period rather than immediate expensing. For tax years starting January 1, 2022, those expenditures that are attributable to research that is conducted outside of the United States (U.S.) are required to be capitalized and amortized ratably over a period of 15 years. Confusion related to identifying relevant costs that should be capitalized versus expensed and hope that Congress will act this year prior to the extended filing due dates of September 15, 2023, and October 16, 2023, likely contributed to an increase in filing extension requests ahead of the original return due date. Allowing businesses to continue expensing research and development costs would improve simplicity in tax compliance. We urge Congress to act prior to the extended filing due dates to significantly reduce the burden of filing amended returns and refund claims, specifically for pass-through entities subject to the Bipartisan Budget Act (BBA) Centralized Partnership Audit regime who are not be able to amend their tax returns to allow tax refunds for the 2023 tax year unless Congressional or administrative relief is provided.

We appreciate your leadership on this issue and look forward to helping you advance this legislation.

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Page 2 of 2

The AICPA is the world's largest member association representing the accounting profession, with more than 421,000 members in 128 countries and a history of serving the public interest since 1877. Our members advise clients on federal, state, and international tax matters, and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized business, as well as America's largest businesses.

We appreciate your consideration of our recommendations and welcome the opportunity to further discuss our comments. If you have any questions, please contact Reema Patel, Senior Manager, Tax Policy & Advocacy, at (202) 434-9217, or [Reema.Patel@aicpa-cima.com](mailto:Reema.Patel@aicpa-cima.com); Lauren Pfingstag, Director – AICPA Congressional and Political Affairs, at (407) 257-0607, or [lauren.pfingstag@aicpa-cima.com](mailto:lauren.pfingstag@aicpa-cima.com); or me at (601) 326-7119, or [JanLewis@HaddoxReid.com](mailto:JanLewis@HaddoxReid.com).

Sincerely,



Jan F. Lewis, CPA  
Chair, AICPA Tax Executive Committee

cc: Senator Ron Wyden, Chair, Senate Finance Committee  
Senator Mike Crapo, Ranking Member, Senate Finance Committee  
Representative Jason Smith, Chair, House Ways and Means Committee  
Representative Richard Neal, Ranking Member, House Ways and Means Committee  
The Honorable Daniel I. Werfel, Commissioner, Internal Revenue Service  
Mr. William M. Paul, Principal Deputy Chief Counsel, Internal Revenue Service  
Ms. Erin Collins, National Taxpayer Advocate  
Mr. Thomas Barthold, Chief of Staff, Joint Committee on Taxation