BUILD COALITION

The BUILD Coalition
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November 9, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

RE: H.R. 1 – Tax Cuts And Jobs Act – And The Importance Of Maintaining Full Interest Deductibility

Dear Chairman Hatch, Ranking Member Wyden, and Members of the Committee:

The Businesses United for Interest and Loan Deductibility (BUILD) Coalition is submitting this letter in regard to H.R. 1 – Tax Cuts and Jobs Act – and its inclusion of a limitation to interest deductibility for most businesses. While our Coalition fully supports efforts to enact pro-growth tax reform, we want to reiterate the importance of maintaining full interest deductibility for all businesses in order to accomplish this objective. We appreciate this Committee's thoughtful approach to tax reform and we support its commitment to creating a system that fosters economic growth in today's competitive global economy.

The BUILD Coalition's members represent critical industries throughout the American economy, including agriculture, manufacturing, real estate, retail, information services, and telecommunications and broadband. In order to create a tax structure that unleashes America's full growth potential, Congress must avoid any limitation to interest deductibility.

The deductibility of business interest expense is a well-established component of the tax code that promotes economic growth. Businesses use it to float payroll in tough times and finance expansion. Interest expense is a normal cost of doing business, just like expenses for raw materials, office supplies, and payroll, and its deduction has been present in the tax code since the implementation of the modern income tax structure roughly a century ago.

Businesses of all sizes borrow in order to meet obligations, and the ability to deduct interest expense gives business owners the certainty to make critical operating decisions. For many firms, access to credit is essential for working capital, and many of these businesses use debt to weather shifts in demand.

Proposals that call for placing limits on interest deductibility run counter to lawmakers' stated goal of achieving pro-growth tax reform. A study by Ernst & Young (EY) finds that an across-the-board limitation used to fund a lower corporate tax rate would negatively impact economic growth in the long-run.[1]

[1] EY's Quantitative Economics and Statistics (QUEST) Group. "Macroeconomic Analysis Of A Revenue-Neutral Reduction In The Corporate Income Tax Rate Financed By An Across-The-Board Limitation On Corporate Interest Expenses." EY. July 2013.

In addition to having a negative impact on economic growth, limits to interest deductibility amount to a harmful new tax on businesses that borrow to invest and grow. To avoid this new tax, the appropriate solution is to maintain full interest deductibility for all businesses across all sectors.

Finally, limiting interest deductibility threatens to harm American businesses' competitiveness in the global economy. America's capital markets are second to none, giving the U.S. a major advantage over other nations in attracting businesses and investment. Should limitations to interest deductibility be more onerous than other countries, businesses may look overseas for their borrowing needs, weakening U.S. credit markets and hindering job growth.

Tax reform should offer permanent, pro-growth solutions for businesses, but the proposal in the House tax plan to limit interest deductibility undermines these goals. Permanently limiting the deduction for interest expense while implementing a temporary shift to full expensing risks harming long-term economic growth and the certainty that businesses need to grow and create jobs.

We strongly encourage the Committee to maintain the full deductibility of business interest expense as it exists under current law in its proposed tax legislation. By doing so, policymakers will give the U.S. economy the opportunity to achieve its full growth potential.

Sincerely,

The BUILD Coalition

Abbott

American Gaming Association

American Investment Council

Association for Corporate Growth

Equipment Leasing and Finance Association

First Data

International Council of Shopping Centers

Mortgage Bankers Association

Nareit

National Multifamily Housing Council

Owens-Illinois

Portland Cement Association

Real Estate Roundtable

S&P Global