March 24th, 2022

Dear Member of Congress:

We write in support of the *Renewing Investment in American Workers and Supply Chains Act*, legislation to allow accelerated depreciation for all structures, introduced by Congresswoman Jackie Walorski (R-Ind.) and Republican Study Committee Chairman Jim Banks (R-Ind.).

This legislation would reduce the depreciation schedule for all non-residential and residential property to 20 years. Currently, both nonresidential and residential property are subject to extremely long recovery periods. The legislation would also allow companies to apply a neutral cost recovery adjustment to deductions to account for inflation and the time value of money.

Nonresidential structures such as an office building, store, or warehouse, has a recovery period of 39 years. Residential rental property, where at least 80 percent of its rental income is from dwelling units, has a recovery period of 27.5 years.

Under the tax code, businesses can deduct or "depreciate" the cost of many investments immediately, a policy known as full business expensing. The 2017 Tax Cuts and Jobs Act implemented full expensing for assets with 20 years or less of depreciable life through 2022. The provision begins phasing out through the end of 2026.

This is the right tax treatment – the tax code should allow businesses to deduct assets immediately. However, because structures had a cost recovery period above 20 years, they were not included in the TCJA full expensing provision.

Accelerating the depreciation of structures and applying an adjustment for inflation and the time value of money would move the tax code closer to a neutral cost recovery system. Different business expenses should not receive such disparate treatment in the tax code. There is no reason a business should be able to deduct the costs of its utilities, rent, insurance, office supplies, etc. but be required to deduct the cost of their property over decades.

This bill will grow the economy and promote investment in America more than any of the central planning schemes currently being considered in Congress. Allowing businesses to deduct more of the cost of their property each year increases their capital stock, enabling them to deploy these resources towards re-investment, higher wages, and new jobs. In fact, according to the Tax Foundation, moving to a 20-year depreciation schedule for structures would increase long-term economic output by 1.2

percent, capital stock by 2.3 percent, increase wages by 1.0 percent and create the equivalent of 231,000 full time jobs.

We urge you to cosponsor and support Reps. Walorski's and Banks' bill to reduce and equalize the depreciation period for nonresidential real property and residential rental property. This pro-growth policy will make the tax code more efficient and will help grow the economy as we continue to rebuild from the damage cause by the COVID-19 pandemic.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

Dick Patten
President, American Business Defense Council

Phil Kerpen
President, American Commitment

Bob Carlstrom
President, AMAC Action

Brent Wm. Gardner
Chief Government Affairs Officer, Americans for Prosperity

Ryan Ellis
President, Center for a Free Economy

Andrew F. Quinlan
President, Center for Freedom and Prosperity

Tom Schatz
President, Council for Citizens Against Government Waste

Adam Brandon
President, FreedomWorks

Heather R. Higgins
CEO, Independent Women's Voice

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President, Less Government

Brandon Arnold
Executive Vice President, National Taxpayers Union

Tom Hebert
Executive Director, Open Competition Center

Bryan Bashur
Executive Director, Shareholder Advocacy Forum

Jim Martin
Founder/Chairman, 60 Plus Association

Saul Anuzis
President, 60 Plus Association

Karen Kerrigan
President & CEO, Small Business & Entrepreneurship Council