

December 12, 2022

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 companies and associations write in strong support of re-instating the EBITDA standard for business interest deductions. Debt financing plays an important role in supporting job-creating investments, but a stricter limitation on the deductibility of interest payments on business loans took effect at the beginning of 2022.

Prior to January 1, 2022, businesses' interest expense deductions were limited by section 163(j) to 30% of their earnings before interest, tax, depreciation, and amortization (EBITDA). Interest deductions are now limited to 30% of earnings before interest and tax (EBIT). By excluding depreciation and amortization, the stricter EBIT standard makes it more expensive for capital-intensive companies to debt finance and grow their businesses.

Under an EBIT standard, capital-intensive companies face higher taxes and increased financing costs. This reduces their flexibility and liquidity when financing needed investments, ultimately making it more difficult for these job creators to raise capital, hire new workers, and grow—especially at a time of rising interest rates. In fact, a recent EY study found that failing to reverse the shift from EBITDA to EBIT will cost the U.S. economy 467,000 jobs, \$23.4 billion in lost wages, and \$43.8 billion in GDP.¹

The industries most impacted by the change from EBITDA to EBIT are vital to the U.S. economy. The EY study found that 81% of interest expense disallowed under the new standard would come from manufacturing and related industries. Similarly, a PwC report found that the manufacturing and information industries would pay the most in new tax obligations under an EBIT standard, while accommodation and food services, mining, and transportation and warehousing would experience the greatest percentage tax increases.²

¹ *Economic Impact of a Stricter 163(j) Interest Expense Limitation*. September 2022. EY, prepared for the National Association of Manufacturers. Available at https://documents.nam.org/tax/nam_interest_deductibility_study.pdf.

² *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>.

Additionally, limiting business interest deductions harms U.S. competitiveness by making the United States an outlier compared to our peers in the OECD. Among the 35 countries worldwide with an earnings-based interest limitation, the United States is the only one with an EBIT-based standard.

Rep. Joe Morelle (D-NY), Rep. Adrian Smith (R-NE), and Sen. Roy Blunt (R-MO) have introduced legislation to permanently preserve the EBITDA standard and ensure that the tax code does not penalize job-creating investments.³ We respectfully encourage Congress to support investment and job growth at capital-intensive businesses across the country by passing a permanent extension of the EBITDA standard for business interest deductions.

At a minimum, we urge Congress to act by year's end to extend the EBITDA standard for at least four years. A four-year extension would reverse the EBIT change for 2022 and provide much-needed tax certainty through 2025—critical relief given ongoing economic instability and rising interest rates. Congress must act swiftly to ensure that section 163(j) does not unduly limit businesses' ability to grow and create jobs here in the United States.

Sincerely,

A. O. Smith
Advanced Superabrasives Inc
AICC, The Independent Packaging Association
Air Liquide
Air Transport Services Group
Airtronics Metal Products, Inc.
Albaugh, LLC
Alcoa Corporation
Aldridge, Inc.
Alliance for Competitive Taxation
Aloha Poke Co.
ALOM
American Automotive Leasing Association (AALA)
American Chemistry Council
American Colors, Inc.
American Forest & Paper Association
American Gaming Association (AGA)
American Hotel & Lodging Association
American Investment Council
American Mold Builders Association
American Petroleum Institute
American Short Line and Regional Railroad Association (ASLRRA)
Amsted Industries Incorporated
Amsted Rail Company, Inc.
Amway

³ *Permanently Preserving America's Investment in Manufacturing Act*. H.R. 5371/S. 1077, 117th Cong. (2021).

Anheuser-Busch
Ansara Restaurant Group, Inc.
Aramark
Arcadia Chair Company
ArcelorMittal
Associated Equipment Distributors
Associated Industries of Missouri
AT&T
Baker Boy
Ball Corporation
Barnes Group Inc.
Barth Electronics, Inc.
BASF Corporation
Bath & Body Works, Inc.
Beer Institute
Biotechnology Innovation Organization
Boudreaux's Cajun Grill
Brick Industry Association
BTE Technologies
Business Roundtable
Can Manufacturers Institute
Carson's Woodside Tavern
Cass Precision Machining
Celanese Corporation
Cellulose Insulation Manufacturers Association
CEMEX
CF Rail Services, LLC
Challenge Manufacturing Company, LLC
Chicago Freight Car Leasing Co
CNH Industrial
Coalition of Franchisee Associations
Composite Can and Tube Institute
Continental Heat Treating, Inc.
Control Technology, Inc
CoorsTek, Inc.
Core Pipe Products, Inc.
CRH Americas, Inc.
CropLife America
Crown Equipment Corporation
Crown Holdings, Inc.
Daktronics, Inc.
Diamond Chemical
Distribution Contractors Association
Domtar
Domtar Corporation
Dow

DT Engineering
E. McIlhenny's Son Corporation
Easystreet Cafe
Eaton
ECIA - Electronic Components Industry Association
Ecolab
Eide Bailly LLP
Elmer's Restaurants, Inc.
EMD Serono, MilliporeSigma and EMD Electronics
Energy Transfer, LP
Equipment Leasing and Finance Association (ELFA)
Erie Molded Plastics, Inc.
Evaporated Coatings, Inc.
Express 4X4 Truck Rental
Filtration Group Corporation
Financial Executives International (FEI)
Flo & Santos
Foodservice Equipment Distributors Association
Forging Industry Association
Fortune Brands Home & Security, Inc.
Franchise Business Services
Garmin International, Inc.
General & Automotive Machine
Glass Packaging Institute
Glen Raven, Inc.
Glier's Meats Inc
Global Business Alliance
Global Cold Chain Alliance
Greater North Dakota Chamber
GSK
Guttenberg Industries, Inc
Haltec Corporation
Hawkeye Industries, Inc
HNTB Corporation
Hog Wild
Hoss's Steak & Sea House, Inc.
Hot Head Burritos
Hunt Companies, Inc
Husco International
IAPD - The Performance Plastics Association
ICSC
Idaho Association of Commerce and Industry
IGT
Illinois Manufacturers' Association
INDA, Association of the Nonwoven Fabrics Industry
Independent Bakers Association

Independent Electrical Contractors
Independent Lubricant Manufacturers Association
Indi Pizza Co. DBA Pizza Circo
Industrial Fasteners Institute
Industrial Truck Association
Information Technology Industry Council (ITI)
Inspire Brands
Institute of Scrap Recycling Industries
International Franchise Association
International Sign Association
INX International Ink Co.
Iowa Association of Business and Industry
Johnson Controls
Koppers Inc.
Lakeside Foods
LyondellBasell
MacLean-Fogg Company
Mann Metal Finishing, Inc.
Marsh McLennan
McCormick & Company, Inc.
McGregor Metal Holdings LLC
McIlhenny Company
Memphis Restaurant Association
Metal Powder Industries Federation
Metals Service Center Institute
Miltec UV
Mondelez International, Inc.
Mr. Stax, Inc
National Association of Broadcasters
National Association of Manufacturers
National Confectioners Association
National Foreign Trade Council
National Franchisee Association
National Lumber & Building Material Dealers Association
National Multifamily Housing Council
National Pork Producers Council
National Railroad Construction and Maintenance Association (NRC)
National Ready Mixed Concrete Association
National Restaurant Association
National Retail Federation
National Tooling and Machining Association
Nature's Table Franchise Company
NC Chamber
NCTA - The Internet & Television Association
Nielsen
Non-Ferrous Founders' Society

North American Association of Food Equipment Manufacturers (NAFEM)
North American Die Casting Association
Novelis Inc
NSH USA Corporation
NSSF
NTCA - The Rural Broadband Association
Nu-Wool Co, Inc.
O-I Glass, Inc.
PACCAR Inc
Panera, LLC
Parr Instrument Company
PDM LP
Pilot Travel Centers LLC
Plastics Industry Association
Plastics Pipe Institute
Plumbing Manufacturers International
Policy and Taxation Group
Portland Cement Association
Precision Machined Products Association
Precision Metalforming Association
Pretzel Power Inc
Railway Supply Institute
RedHawk Energy Systems LLC
Regal Rexnord Corporation
Rhode Island Manufacturers Association
Rockwell Automation
RYAM
S Corporation Association
SABIC
Sasser Family Holdings, Inc.
SC Johnson
SDI of Fort Collins #1 Inc.
Sempra
Small Business & Entrepreneurship Council
Small Business Investor Alliance
Smith & Nephew, Inc.
Smith and Richardson Inc
Solvay
Sonoran Hospitality Group
Special Products & Manufacturing, Inc.
Spirit AeroSystems
SSAB Americas
Stockyard Burgers & Bones
Sugar Creek Packing Co.
Sumitomo Corporation of Americas
T. Nickolas Co.

Taco John's International, Inc.
Taqueria Tsunami
The Adams Company
The Bradbury Group
The Greenbrier Companies
The Hardwood Federation
The Inland Group, LLC
The L. S. Starrett Co.
The Mosaic Company
The Real Estate Roundtable
The Timken Company
Trinity Industries, Inc.
Truck Renting and Leasing Association
Truck Trailer Manufacturers Association (TTMA)
U.S. Chamber of Commerce
Union Leasing, Inc.
Uniweld Products Inc.
Unukay Concepts, Inc
USG Corporation
Verizon
Watco
Westside Finishing
WI Grocers Association
Willamette Technical Fabricators
Window & Door Manufacturers Association
Winnebago Industries
Xced Aviation Services
Xerox
Zimmer Biomet