



The Honorable Chuck Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

December 13, 2022

Dear Sens. Schumer and McConnell, and Reps. Pelosi and Rep. McCarthy,

I am writing to you on behalf of the more than 96,000 members of the American Institute of Architects (AIA) to urge Congress to correct the statutory application of harmful tax law changes that threaten innovation, valuable building science research and data development, and the creation of high-performance buildings. The budgetary impact of the new tax law will have a devastating impact on architecture firms that invest in this research and development.

As you know, the Tax Cuts and Jobs Act (TCJA) was passed in 2017 with specific research and development expense provisions. However, the latest R&D legislation did not officially go into effect until after December 31, 2021. Under previous laws, taxpayers with businesses that incurred qualified research or experimental expenditures within a taxable year were allowed as a deduction. As of December 31, 2021, that rule changed. The new TCJA laws stipulate that business owners can no longer deduct R&D expenses in the same year they are incurred. The current laws now mandate that all qualifying research and development expenses must be amortized over 60 months.

Put simply: rather than being viewed as an expense, qualifying activities are part of “R&D Expense Capitalization,” where they are considered an investment. These new laws even include software development as an investment that must be amortized over five years. A provision contained in the tax reform law requires R&D expenses to be amortized over five years instead of all at once starting in 2022. R&D conducted outside of the U.S. must be amortized over 15 years.

Currently, companies can claim a tax deduction for all their R&D expenses in the same year the cost was incurred, which gives them an immediate benefit and encourages reinvestment. While the change was meant to incentivize long-term R&D projects and bolster federal revenue coffers, AIA is deeply concerned that it effectively inflates the cost of investing in research and diminishes cash flow for firms.

Unless this policy is addressed immediately by Congress, the impending changes to the tax will reduce the ability of American businesses to remain technological and innovation leaders in the building sector, putting American design firms at a

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disadvantage. At the vanguard of the \$1 trillion construction industry, architects call on Congress to act immediately to ensure that the tax code continues to support American innovation and technological leadership.

Please do not hesitate to contact me if you have any questions or would like more information from the perspective of an architecture firm that will be heavily impacted. Our firms wish to continue their valued research and development to better ascertain important evolutions in building sector resources that better serve communities and the people who live within them.

Sincerely,



Sarah Dodge
Senior Vice President of Advocacy and Relationships
American Institute of Architects