



May 12, 2025

The Honorable John Thune
Majority Senate Leader
Washington, District of Columbia 20510

The Honorable Chuck Schumer
Senate Majority Leader
Washington, District of Columbia 20510

RE: Support the Passage of the American Innovation and Jobs Act (S.1639)

Dear Majority Leader Thune and Minority Leader Schumer,

The Small Software Business Alliance (SSBA) is a coalition of small business owners fighting to restore immediate expensing of research and development (R&D) investments and prevent tax rules from disrupting the future of small tech companies and innovation in America. The reintroduction of the American Innovation and Jobs Act (S.1639) is a critical first step towards preserving the ability of American small businesses to continue to push the limits of innovation. SSBA members are the entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with our coalition of small and medium-sized technology companies to advocate for clear and flexible tax policies that enable American small businesses to compete and win on the global stage. We urge Congress to support S.1639 and restore the full expensing of R&D investments, creating long-term success for our small technology companies.

Since 1954, the Internal Revenue Code (IRC) section 174 R&D provisions have enabled companies and entrepreneurs that conduct R&D to deduct these expenses in the year they were incurred.¹ Due to a budgetary adjustment as part of the 2017 Tax Cuts and Jobs Act (TCJA), this provision has lapsed as of 2022. Small business entrepreneurs and innovators now face substantial obstacles that not only jeopardize job creation in the United States but also threaten to diminish our global competitiveness. Small software companies, which generally don't have unlimited resources to hire a team of

¹ *Federal Research Tax Credit: Current Laws and Policy Issues*, Congressional Research Service, <https://crsreports.congress.gov/product/pdf/RL/RL31181>

accountants, are now required to spread the deduction of these expenses over five years (15 years for non-U.S. companies). This, unfortunately, marks the first time in nearly 70 years that businesses find themselves unable to immediately claim the full value of eligible R&D expenses when filing their taxes. This unexpected turn placed significant burdens on small businesses trying to compete; post-pandemic inflationary pressures, and reduced access to capital investment, and diminished economic confidence have combined to put pressure on small business owners and force difficult decisions regarding their current operations and future plans.

As a result of these changes, the United States is one of only two developed countries requiring the amortization of R&D expenses.² Meanwhile, competing countries like China currently provide super deductions for R&D expenses, allowing companies to deduct a total of 200 percent of their R&D expenses before taxes.³ At a time when countries around the world are providing R&D tax incentives for companies, this change puts U.S. small businesses at a competitive disadvantage. The amortization requirement also poses a threat to our national security if not reversed. As the National Science and Technology Council noted, R&D investments “are essential to ensure that the United States remains able to secure and protect the American people in the face” of other countries’ increased support for R&D.⁴ To strengthen our competitive advantage in technology innovation, we seek to foster an ecosystem that is favorable to the dynamic and flexible nature of our small innovators. Allowing businesses to utilize Section 174 benefits to deduct full-expense R&D spending without amortization requirements would reinvigorate domestic capital investments and strengthen our American workforce.

Last Congress, the SSBA strongly supported the initial introduction of the American Innovation and R&D Competitiveness Act of 2023 (H.R. 2673, 118th Congress). The bill was referred to the House Committee on Ways and Means, where it was incorporated into a broader tax package—the Tax Relief for American Families and Workers Act of 2024 (H.R. 7024, 118th Congress)—which passed with overwhelming bipartisan support. We are eager to see the continued bipartisan and bicameral support as the House companion bill—the American Innovation and R&D Competitiveness Act of 2025 (H.R. 1990)—continues to move forward toward committee markup. We urge Congress to build on this progress and enact this critical legislation into the larger reconciliation bill, delivering the

² Ibid.

³ The China State Tax Administration and Ministry of Finance (MOF) jointly released the *Announcement on Further Improving the Pre-tax Super Deduction Policy for R&D Expenses*, STA MOF Announcement [2023] No. 7. <https://www.chinatax.gov.cn/chinatax/n359/c5185879/content.html>

⁴ Subcommittee on Research and Development Infrastructure, Committee on Science and Technology Enterprise of the National Science and Technology Council, National Strategic Overview for Research and Development Infrastructure in 2021 (pg.23)

long-awaited relief to the entrepreneurs and small and medium-sized businesses that make up the SSBA's membership.

Enactment of this legislation will finally restore SSBA members' ability to fully reinvest in their businesses, expand operations, and create new job opportunities. Congress must pass the American Innovation and Jobs Act and support a broader tax incentive framework that enables small businesses across America to remain competitive. Small businesses are the backbone of our economy and providing them with the necessary tools and resources to succeed is paramount for sustained economic growth.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alex Cooke", is positioned above the printed name.

Alexandra Cooke
Executive Director
Small Software Business Alliance