



May 12, 2023

To: Members of Georgia's Congressional Delegation

Dear Georgia Delegation Members,

On behalf of our more than 50,000 members, the Georgia Chamber would like to express its thanks to each of you for your efforts to increase our state and our nation's economic competitiveness through thoughtful tax policy. Tax reform was previously addressed in the 2017 Tax Cut and Jobs Act, of which many provisions were beneficial to Georgia businesses. However, a few critical areas need further action to prevent harm to numerous companies, especially Georgia's small businesses and start-ups.

First, the Georgia Chamber has concerns over one provision in Section 174 which requires businesses to spread research deductions over five years for domestic expenditures or 15 years for foreign expenditures rather than allowing them to deduct expenses in the current tax year as previously allowed. Small and medium-sized businesses, as well as new businesses and start-ups, will be most impacted by these changes. These companies are most dependent upon optimizing cash flow to compensate employees and to mitigate the natural risks that are incurred during early-stage research, which means this alteration limits their ability to invest in new product development and hire more employees. The strength of our economy hinges upon increased innovation, which is supported through investments in research and development. At present, this change threatens the future of innovation in our state and our nation and warrants an immediate legislative solution.

Georgia businesses are also concerned with adjustments to Bonus Depreciation which was originally expanded to 100% to write off the entire cost in the year purchased. Changes decrease that percentage over time. Georgia businesses depend on predictability as they make long-term investments, and this change represents a stark shift that will have ramifications year over year. Tax extender legislation is needed to restore this necessary provision which benefits industries that play a substantial role in Georgia's economy, including manufacturing and construction firms.

Section 163(J) of the 2017 legislation implemented a change limiting the amount of business interest expense based on the amount of business interest income, a computation of adjusted taxable income and floor plan financing interest. This deduction has been valuable to Georgia small businesses, and with current interest rates continuing to increase, it is vital to mitigate unpredictable national trends through consistent tax policy.

Finally, Section 199A was revised in 2017 to permit sole proprietors, S corporations, and partnerships to deduct up to 20% of income earned by the business. This change was intended



to help remediate some of the differences in tax liability following the corporate tax cut included in the law, returning them to the levels experienced prior to the new Act. At the end of 2026, this provision will no longer be effective and will create greater disparity than experienced prior to the 2017 legislation, leaving many of our small business members paying a higher tax rate than multinational companies. Due to the significance of this provision on the majority of Georgia businesses, it is extremely important that action is taken now to preserve this integral tax relief rather than postpone a solution.

The Georgia Chamber appreciates the efforts of the Georgia delegation to ensure Georgia businesses remain competitive and are not overburdened by regulations, allowing them to create jobs and invest further in the state's economy. It is through thoughtful tax policy, aimed at driving strategic growth, that greater economic prosperity will be achieved by Georgians and Georgia businesses alike. The changes outlined above are paramount to regaining predictability and stability in the tax environment, providing for continued future economic success.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Clark". The signature is fluid and cursive, with a large initial "C" and "C".

Chris Clark
President and CEO
Georgia Chamber of Commerce