December 8, 2021

The Honorable Charles E. Schumer
Majority Leader
United States Senate

The Honorable Ron Wyden
Chairman, Senate Finance Committee
United States Senate

Dear Leader Schumer and Chairman Wyden:

On behalf of the Recovery Coalition, a coalition of businesses and trade associations supporting pro-growth fiscal and economic policies to help our economy get back on track, I write today to urge you to strike Section 163(n) from your consideration of the *Build Back Better* plan.

The House-passed version includes a new limitation on interest deductibility for domestic corporations that are members of an international financial reporting group. According to Ernst and Young[1], the proposal is like one proposed, but not enacted, under the Tax Cuts and Jobs Act of 2017, and is intended to limit the interest expense of a multinational group's US operations to its proportionate share of the group's overall interest expense. The US share of the group's interest would generally be determined by comparing a domestic corporation's earnings before interest, taxes, depreciation, depletion, and amortization (EBITDA) to the worldwide group's EBITDA. Unlike President Biden's Green Book, proposed IRC Section 163(n) would appear to apply to both US and non-US based multinationals.

Section 163(n) is fundamentally flawed: It would create an unnecessary additional limitation that would unfairly penalize businesses interested in expanding their operations in the United States, have unintended consequences and should not be implemented.

Debt financing plays an important role in supporting business growth, and ultimately job creation, in the United States. As you are aware, the Build Back Better Act includes provisions under Section 163(n) that will reduce the deductibility of interest for multi-national businesses starting in 2022. And by limiting the deductibility of interest expense, the after-tax cost of capital will increase, undermining the private sector's support of a US economic recovery out of the depths of the COVID-19 pandemic. Even when a U.S. company buys international companies, it helps us create jobs here in the United States. In fact, U.S.-based employees support many of international operations across a host of industries with resources such as accounting, IT, marketing, human resources, sales support, operations, leadership, and more.

We hope you will remove this harmful provision and give our economy and the jobs-creators who fuel it, a chance to get back on its' feet.

Sincerely,

Brian Johnson, Executive Director

cc: All Members of the United States Senate

[1] https://taxnews.ey.com/news/2021-9019-first-impressions-tax-plan-in-house-ways-and-means-reconciliation-bill-offers-new-details-on-international-tax-proposals