

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

instead of all upfront, making the tax break less lucrative.

Jul. 22, 2022



By Laura Weiss, Aidan Quigley and Lindsey McPherson – CQ-Roll Call (via TNS).

Senators are considering restoring a more generous tax break for companies' research and development spending as part of a slimmed-down economic competitiveness bill focused on boosting domestic semiconductor manufacturing.

Lawmakers discussing the “chips-plus” bill that the chamber aims to take an initial procedural vote on Tuesday are “contemplating” adding in the provision, Sen. Todd Young, R-Ind., told reporters.

As of this year, companies must deduct their domestic R&D expenses over five years

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

will carry a smaller price tag when scorekeepers assess the bill's cost.

Young characterized the proposal as “baby steps” and a “base hit.”

The change to mandating companies take their deduction over five years was a part of Republicans' 2017 tax law, but reversing the move has broad bipartisan backing. Senate Finance Chair [Ron Wyden](#), D-Ore., and ranking member Sen. [Michael D. Crapo](#), R-Idaho, had both been pushing to get the provision attached to a broader economic competitiveness package being negotiated between the House and Senate before it stalled and leadership turned to a slimmer chips-focused bill.

Young and Sen. [Maggie Hassan](#), D-N.H., introduced a bill to restore the immediate deduction and expand other R&D incentives, and a House version from Rep. [John B. Larson](#), D-Conn., has more than 100 co-sponsors.

A four-year delay of the switch was included in Democrats' budget reconciliation package, estimated to deliver roughly \$125 billion in tax benefits to businesses through 2025. Over a decade, the government's cost would drop to \$4 billion as companies would lose deductions in future years they'd otherwise claim.

While preserving full, immediate R&D expensing is popular among Democrats, some don't want to move forward on the issue while party priorities to aid lower- and middle-income families like the child tax credit remain stalled.

If lawmakers don't tuck it into the chips bill, the R&D delay could also move as part of an end-of-year tax package to extend expired tax provisions and other outstanding tax provisions with enough bipartisan support. Even if there is a one-year retroactive fix for the research deduction, Crapo said, it would still get another renewal as part of a year-end tax bill.

Wyden, who generally supports restoring the research tax break, said senators will

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

good initiatives,” Warner said.

Crapo said there won't be a trade title attached to the chips-plus bill, though he said it could potentially move as part of a year-end package along with leftover tax provisions. “I'd love to do it as a combo, but I'm not ruling out any options,” Crapo said.

Senate Majority Leader [Charles E. Schumer](#) said Tuesday that the chamber will vote “later today” to take up the package, whatever it ultimately looks like.

“We will see if members can come to an agreement on adding other provisions to the bill, but the bottom line is that we must come up with a package that is capable of passing this chamber without delay,” Schumer, D-N.Y., said on the floor.

The base bill is expected to look similar to what's circulated in recent days, including \$54 billion in spending over five years for semiconductor manufacturing and advanced microelectronics grants and a 25 percent, five-year investment tax credit. That's substantially slimmed down from expansive competition package the Senate and House approved separately and went to conference on earlier this year.

The measure is expected to receive broad bipartisan support, though it's not clear what can be done to get Senate Budget Chairman [Bernie Sanders](#), I-Vt., on board.

Negotiators included a ban on using funds appropriated in the bill for stock buybacks and paying dividends to shareholders, but that falls short of what Sanders has sought, which is a five-year ban on corporate beneficiaries buying back their own stock at all.

Sanders also wants the legislation to bar companies that receive funds from outsourcing jobs and to compel them to remain neutral in collective bargaining disputes. He also wants the government to take equity stakes in firms that receive aid.

If his conditions aren't met, Sanders is considering raising a budget point of order

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

But Ways and Means Republicans on Tuesday outlined concerns they have with the measure. Among those are that the 25% investment tax credit, which they said would cost \$24 billion, would “provide large government checks to a limited group of hand-picked companies” and would create “an unjustified windfall for companies with projects already underway.”

(Roll Call's David Lerman and Paul M. Krawzak contributed to this report.)

©2022 CQ-Roll Call, Inc., All Rights Reserved. Visit cqrollcall.com. Distributed by Tribune Content Agency, LLC.

Benefits • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved