

**MONDAY MORNING GROUP OF WESTERN RIVERSIDE COUNTY
ANNUAL ADVOCACY TRIP – WASHINGTON, DC
APRIL 7 – 10, 2025**

REFORMING AMENDED SECTION 174 OF THE TAX CUTS AND JOBS ACT

ISSUE: Amendments to Section 174 of the Tax Cuts and Jobs Act (TCJA) require businesses to amortize research and development (R&D) expenses over five years, replacing the previous policy of full and immediate deductions. This change creates financial strain on United States innovation, economic competitiveness, and business growth. Immediate legislative reform is necessary to restore these incentives and mitigate economic harm.

ACTION: The Monday Morning Groups urges Congress to restore immediate R&D expensing and secure America's position as a leader in technological advancement. Specifically, the Monday Morning Group supports:

- Permanent legislative solutions that restore immediate and full deductibility of R&D expenses.
- Alignment of statewide policies with global standards to prevent capital flight and strengthening domestic job creation.

BACKGROUND: The 2017 amendments to Section 174 of the TCJA, specifically the R&D amortization requirement threatens innovation, jobs, and economic growth. In January 2024, the House passed H.R. 7024 to retroactively restore immediate R&D expensing. However, the Senate has yet to advance the bill, leaving businesses in a state of uncertainty. Temporary measures are insufficient and permanent legislative reform is essential to ensure long-term economic stability and global competitiveness.

The following are negative impacts of TCJA amendments:

1. Cash flow strains businesses: Startups and Small and Medium Enterprises struggle with immediate tax burdens, forcing cuts in R&D investment and stifling innovation;
2. Global competitiveness at risk: Countries like China, Germany, and South Korea maintain favorable R&D tax policies, attracting investment away from the U.S;
3. Disincentives for innovation: Industries reliant on continuous R&D—including technology, pharmaceuticals, and manufacturing—are delaying or reducing research efforts; and
4. Disproportionate impact on small business: Unlike large corporations, startups lack financial flexibility to manage multi-year amortization schedules, restricting their ability to scale.