

Chairman Jason Smith  
1139 Longworth House Office Building  
Washington, D.C. 20515

Chair Ron Wyden  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Ranking Member Richard Neal  
1139 Longworth House Office Building  
Washington D.C. 20515

Ranking Member Mike Crapo  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Chairmen Smith and Wyden and Ranking Members Neal and Crapo:

We, the undersigned [#] small software business owners, are extremely concerned about the impacts of Section 174 amortization on our businesses. We are an informal coalition of small software companies, most with less than \$10 million in annual revenue. We are located across the U.S. with signers in [#] states. We ask that you immediately repeal Section 174 amortization retroactive to 2022.

In 2017, the Tax Cuts and Jobs Act (TCJA) modified Section 174 to require companies to amortize their research and experimentation (R&E) expenses over five years (15 years for international expenses), beginning on January 1, 2022. Among the various Section 174 expenses that need to be amortized are “software development” expenses, which represent a disproportionate amount of our expenses.

For decades, companies like ours could immediately deduct our R&E costs. We work hard to grow our businesses, yet changes to the tax code now stand to make that difficult, if not impossible. Requiring us to amortize our R&E expenses means shockingly higher tax bills than expected — hundreds of times higher in some cases.

These higher taxes are having a significant and immediate negative impact on our small businesses. We are now facing difficult choices because of the large, unexpected, and unprecedented tax liability that we face. For example, many of us have frozen hiring or suspended projects. Some of us are now considering laying off staff or reducing salaries. Others are borrowing to pay our taxes, either from credit cards, personal savings, or lines of credit.

Given that we are small businesses with limited access to additional funds, this crisis requires urgent relief. As small businesses, we can not wait months or years for a fix, and without swift Congressional action, some of us will need to consider closing our businesses or filing bankruptcy due to Section 174 amortization.

We are already encountering large economic headwinds without the impacts of Section 174 amortization, and now we are confronted with an unnecessary tax increase with no policy justification.

We urge you to quickly repeal Section 174 amortization to ensure that we can continue to not only operate our small software businesses but innovate, compete, and grow.

Sincerely,

Company Name LLC, City, State

Company Name LLC, City, State

Company Name LLC, City, State

Etc.

CC: Speaker Kevin McCarthy

House Minority Leader Hakeem Jeffries

Senate Majority Leader Chuck Schumer

Senate Minority Leader Mitch McConnell

Representative Roger Williams

Representative Nydia Velazquez

Senator Ben Cardin

Senator Jodi Ernst