



May 8, 2014

Dear Congressman:

As Congress considers making some important pro-growth tax relief permanent this week, we write with a unified voice to also call for the permanent extension of the “50 percent bonus depreciation” tax provision. It’s pro-growth, it moves toward fundamental tax reform, and it allows companies to invest in new jobs and equipment.

**Bonus depreciation allows companies to invest in new jobs and equipment.** This tax relief, which has been in place for most of the past dozen years in various forms, allows companies of all sizes to deduct half the cost of new business equipment in the year of purchase. The remaining half would still be subject to complex and lengthy “depreciation” deductions over many years.

By way of example, if a company buys a new computer for \$1000, they would be able to immediately deduct \$600 under this tax law. In the absence of bonus depreciation, their first-year deduction would be as low as \$100. The resulting tax savings are used for even more equipment purchases, increased wages and jobs, or both.

**Bonus depreciation is pro-growth.** The capital stock of the economy grows when businesses and households deploy scarce resources toward investments. When a farmer buys a tractor, or an architecture firm buys a computer, they are investing in their own productivity: the farmer can grow more crops; the architecture company can design better blueprints. This increased productivity results in more company profits, higher wages, new jobs, and an increased return to shareholders in their 401(k)s and IRAs. Capital investment is the mother’s milk of wealth creation.

**Bonus depreciation moves toward fundamental tax reform.** Under any free market tax reform plan (FAIR Tax, flat tax, etc.), companies would operate in a “cash-flow” model. This is also true of most comprehensive tax reform plans with a liberal pedigree. All business inputs—wages, equipment purchases, rents, even down to paperclips—would be deducted from revenues in the year of the expenditure. “Full business expensing” is a cornerstone of pro-growth tax reform. Bonus depreciation moves the current tax system more than halfway to full business expensing. Making bonus depreciation permanent would be a massive victory in the cause of tax reform. Full expensing, a dream of tax reformers going back to the original supply siders, would be within reach.

For these reasons and others, we urge you to make bonus depreciation a priority. It should be a tax reform project that all free market Members of Congress can get behind, and we pledge our support to you in the fight.

Sincerely,

Grover Norquist, Americans for Tax Reform

Brandon Arnold, National Taxpayers Union

Brent Wm. Gardner, Americans for Prosperity

Doug Holz-Eakin, American Action Forum

Andrew Moylan, R Street Institute

Phil Kerpen, American Commitment

Peter Ferrara, National Tax Limitation Committee/Heartland Institute

Tom Schatz, Council for Citizens Against Government Waste

Jim Martin, 60 Plus Association

Gregory T. Angelo, Log Cabin Republicans

Karen Kerrigan, Small Business and Entrepreneurship Council

(Signatures are for information purposes only).