



January 28, 2025

The Honorable Jason Smith  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives

The Honorable Richard Neal  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives

Dear Chairman Smith and Ranking Member Neal:

On behalf of Autos Drive America, an association representing the U.S. operations of 13 international automakers and suppliers who operate 31 manufacturing plants, employ over 156,000 Americans, and support an additional 2.4 million American jobs, I appreciate the opportunity to comment on the Committee's recent hearing entitled, "The Need to Make Permanent the Trump Tax Cuts for Working Families."

The Tax Cuts and Jobs Act (TCJA) has been a key driver for the U.S. automotive industry to secure new investments toward U.S. manufacturing and create additional jobs for hardworking Americans to support their families. Critical provisions of the 2017 tax law have already sunset with more set to expire at the end of 2025, driving up costs and imposing a tremendous tax burden on original equipment manufacturers. Autos Drive America advocates for the continuation, modification, and modernization of vital policies to ensure the strong manufacturing capabilities of the U.S. and continued growth of U.S. jobs in the auto industry.

### **Commitment to America**

International automakers are dedicated to U.S. manufacturing and have invested \$109 billion into U.S. operations and support more than 2.4 million jobs that have revitalized communities throughout America. International automakers remain committed to providing Americans with affordable options in the vehicles they choose to drive to work, drop their children off at school, and travel with their families.

The engine of growth fueled by the TCJA enabled international automakers to increase investments, support American workers through additional job opportunities and workforce development programs, and expand manufacturing capabilities within the U.S. auto industry. According to the U.S. Department of Commerce Bureau of Economic Analysis, following passage of the TCJA, from 2017-2022, foreign direct investment in the U.S. jumped from \$4.025 trillion to \$5.39 trillion, and investment in manufacturing increased from \$1.6 trillion to \$2.2 trillion.

As Congress debates key policies to extend and modify a pro-growth tax code, Autos Drive America also supports additional policies that encourage investment in U.S. manufacturing, grow jobs for hardworking Americans, and ensure affordability of autos for millions of American families.

BMW . Honda . Hyundai . Kia . Mazda . Mercedes-Benz . Mitsubishi . Nissan . Subaru . Toyota . Volkswagen . Volvo



## **Bonus Depreciation**

Under TCJA, manufacturers were able to immediately expense 100% of the cost of capital equipment purchases. However, this provision began to phase out in 2023 to 80% and will continue to fall 20% annually until it expires in 2027. International automakers make significant investments in new machinery, plant upgrades, robotics and other critical equipment needed for increased production.

In 2023, international automakers produced 4.9 million vehicles across nine states accounting for 48% of all U.S. vehicle production, and are expanding their production in 2025 and beyond, opening six new manufacturing and assembly plants in the U.S. from 2025-2030.

Extending the 100% bonus depreciation will allow manufacturers to continue these critical investments while reinvesting funds into research and development, workforce programs and other critical needs to help working families in the U.S. auto industry.

## **Research and Development**

International automakers operate in an intensely competitive global industry and must make strategic choices about investments around the world. In 2023, international automakers had 76 R&D facilities located in 15 states and employed nearly 8,800 workers.

Prior to 2022, manufacturers in the U.S. were able to fully deduct their R&D expenses in the year incurred. With the five-year amortization of domestic R&D and 15-year for foreign R&D in place for more than two years, annual growth in R&D investment dropped from 6.6% to 3.4% and has placed international automakers in the U.S. at a competitive disadvantage in the global marketplace where countries like China incentivize R&D more aggressively.

International automakers and their U.S. employees need immediate action to allow for immediate expensing that will accelerate innovation, advance new technologies and ensure the U.S. auto industry remains globally competitive. Automotive manufacturers are known for high R&D investments, allocating billions of dollars annually due to the industry's focus on innovation in areas like autonomous driving, advanced safety systems, and electric vehicles.

Additionally, many smaller suppliers to international automakers rely on R&D expensing to support investments in innovation and new technologies. Without full R&D expensing, many of these smaller suppliers will have no choice but to shut down or be sold to larger companies, impacting the diverse supply chain needed to support the U.S. auto industry and our facilities in the U.S.

It is critical that immediate expensing of R&D is restored to ensure the future of the U.S. auto industry and the development of new, safer technologies for vehicles on the road.



## Foreign-Derived Intangible Income (FDII)

The TCJA shifted the U.S. towards a territorial tax system for international automakers, ensuring that foreign-sourced income and foreign subsidiaries of U.S. companies are not subject to U.S. taxes on their earnings. This made the U.S. a more competitive and affordable destination for manufacturing investment from international automakers. Ensuring that any modifications to international tax provisions continue to make the U.S. attractive for investment will be key to the success of auto manufacturing in America.

The scheduled elimination of the 37.5% FDII deduction would diminish the competitive advantage of international automakers exporting from the U.S. and further attribute to the United States' global trade deficit.

In the 118<sup>th</sup> Congress, Reps. Michelle Steele, R-CA, and Joe Morelle, D-N.Y., introduced the [Growing and Preserving Innovation in America Act](#) to permanently preserve the 37.5% FDII deduction. Autos Drive America urges the inclusion of this bill or similar language to extend the FDII in any TCJA extension package.

## Conclusion

The success of the U.S. auto industry is a key driver of our economy by contributing to the resurgence of America's manufacturing prowess and providing jobs for tens of thousands of hardworking Americans. Autos Drive America remains committed to working with the 119<sup>th</sup> Congress and the Trump administration to preserve, extend, or modify key tax policies that will allow the U.S. automotive industry to continue to thrive and assist American families with affordable vehicles.

Sincerely,

A handwritten signature in black ink that reads "Jennifer M. Safavian".

Jennifer M. Safavian  
President and CEO  
Autos Drive America