



Shaping Tomorrow's Global Built Environment Today

180 Technology Parkway, Peachtree Corners, GA 30092 ▪ Tel 404.636.8400 ▪ www.ashrae.org

March 11, 2025

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith:

I am writing on behalf of ASHRAE, a technical and professional society of more than 55,000 heating refrigerating and air-conditioning professionals dedicated to advancing human well-being through sustainable technology for the built environment. We would like to express our support for the American Innovation and R&D Competitiveness Act (H.R. 1990). This bill would restore the way research and development expenses are deducted from the current five-year cost amortization back to one-year deductibility.

Since 1954, Section 174 of the federal tax code allowed businesses to deduct qualified research expenses in the year those costs were incurred to encourage the kind of innovation that many firms in the HVACR industry pursue. This ensured the tax benefit aligned properly with current expenditures, helping existing and startup businesses with a targeted tax incentive to offset the risks associated with research and innovation. To further incentivize innovation, Congress created the related R&D tax credit in 1981. As part of the Tax Cuts and Jobs Act of 2017, Congress changed how taxpayers deduct R&D expenses. Starting on January 1, 2022, firms could no longer deduct R&D expenses in the year they were incurred and must now amortize those expenses over five years in most cases. This change stifles innovation and impairs our nation's economic competitiveness.

The American Innovation and R&D Competitiveness Act would reverse the five-year amortization and permanently allow businesses to fully and immediately expense their research and development (R&D) expenditures in the year they were incurred. ASHRAE members are employed at startups, engineering firms, and manufacturers which are on the forefront of designing and producing innovative technology for the HVACR industry. This has led to the industry becoming a major economic engine in the United States. Firms at which our members work are involved with research and development related to high-performing buildings that deliver improved energy efficiency, indoor air quality, and resiliency. The HVACR industry employs over 1.5 million people and generates over \$257 billion in annual economic activity. However, this economic activity will be diminished if the five-year amortization is kept in place because many firms will choose not to make the needed investments to develop innovative technologies to help shape our global built environment.

ASHRAE supports restoring incentives for research and development through this legislation. Thank you for considering our comments and for taking the time to deliberate this important legislation. If you



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have any questions or need additional information, please do not hesitate to contact me or have your staff contact GovAffairs@ashrae.org.

Sincerely,

A handwritten signature in black ink that reads "M. Dennis Knight". The signature is written in a cursive style and is placed on a light gray rectangular background.

M. Dennis Knight, P.E.

ASHRAE Society President, 2024-2025