



May 28, 2014

Dear Ways and Means Committee Member:

On behalf of [Americans for Tax Fairness](#), I am writing in opposition to HR 4718, which would modify and make permanent a bonus depreciation tax break that would cost nearly [\\$290 billion over the next 10 years](#), according to the Joint Committee on Taxation.

It is hard to understand the rationale for the committee proceeding with this legislation.

First, the measure is not paid for, so its costs will be added directly to the deficit. This is the height of hypocrisy – providing \$290 billion in tax breaks to businesses while the House majority demands that any other spending be paid for by cutting other spending.

Second, bonus depreciation was previously enacted to help stimulate the economy during two recent downturns, but its purported benefits are very limited. In a review of several studies of the effectiveness of bonus depreciation, the [Congressional Research Service](#) concluded that it “in general is a relatively ineffective tool for stimulating the economy.” That’s “because business investment in general is driven more by the short-to-medium term outlook for sales and economic growth than it is by temporary tax incentives.” The [Congressional Budget Office](#) estimates that increasing aid to the unemployed, investing in infrastructure or providing aid to state and local governments would provide two-to-three times as much bang for the buck as would the tax breaks from bonus depreciation.

Third, is the basic issue of fairness. Providing federal unemployment insurance benefits when long-term unemployment rates are high is an emergency measure that strengthens the economy, yet the House majority refused to restore these expired benefits unless their modest \$10 billion cost was paid for. House leaders also required that any increase in spending under the budget sequester deal last December had to be paid for by equal cuts in other spending and offsets. If these are the standards applied to vital services and benefits, surely the same standards should be applied to corporate tax breaks.

The huge costs of the bonus depreciation tax break will put critical investments in jeopardy, and jeopardize deficit reduction. Its cost is nearly one-half the [\\$620 billion generated over 10 years](#) when the Bush tax cuts were ended for the richest 1 percent of Americans in the fiscal cliff deal last year. Its cost is two-thirds more than the [\\$170 billion shortfall projected in the Highway Trust Fund through 2024](#), which imperils basic investments for roads, bridges and mass transit. Its cost is seven times the \$39 billion cut to food stamps in the Republican leadership’s bill passed by the House last fall.

It is also unacceptable to make permanent corporate tax breaks without considering making permanent other tax extenders and other long-standing tax provisions – such as the tax deduction for certain school expenses incurred by teachers and tax relief for people who are taking a loss by selling their homes that have underwater mortgages. There is also the need to make permanent the 2009 improvements to the EITC and Child Tax Credit – failure to do so would push 12 million people, including 7 million children, into poverty or deeper into poverty.

Again, I urge you to oppose this misguided legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Clemente", with a stylized flourish at the end.

Frank Clemente
Executive Director