

2025 GAMA Hill Day Meetings Taxes and Budget Reconciliation

KEY TALKING POINTS

- We encourage support for the return of Immediate Depreciation (formerly known as Bonus Depreciation) so that companies can benefit in the year an asset is acquired.
- GAMA also supports the return of Immediate Expensing for certain R&D expenditures so that companies can benefit in the year the expenses were incurred.
- As debate around fiscal policy moves forward, we encourage enactment of policies that promote certainty and a fiscal environment that promote investment, innovation, and competitiveness.

BACKGROUND

The 2017 Tax Cuts and Jobs Act (P.L. 115-97) doubled the Immediate Depreciation deduction for qualified assets from 50% to an initial 100%. The immediate depreciation percentages decline over time in 20% increments depending on when the eligible asset is placed into service and will be phased out by 2027.

- The rate currently stands at 40% though some aircraft may be eligible to be deducted at 60% threshold if they qualify for the longer production period property and aircraft criteria.

The 2017 Tax Cuts and Jobs Act also requires costs of certain R&D conducted in the U.S. to be amortized over a five-year period starting in 2022. Previously, since 1954, the law allowed taxpayers to deduct certain R&D expenses in the year they were incurred.

The return of Immediate Depreciation and Immediate Expensing have broad bipartisan support in Congress but are likely to be included as part of a larger tax package. Last year, the House approved legislation to restore both but they were not considered by the Senate.

The 119th Congress is planning to consider changes to the tax code in a large Budget Reconciliation package. Strategically, this allows the Senate to move legislation forward with a simple majority. Both parties have used this procedure to pass large tax legislation that might not have passed otherwise.

To enable use of this parliamentary tool, both bodies approved a concurrent FY25 Budget Resolution that instructs relevant committees to establish spending and revenue parameters and identify additional spending reductions through committee markups which have begun in the House.

While Republicans are eager to pass this legislation and extend the 2017 Tax Cuts and Jobs Act provisions and move forward with a reconciliation measure, they will need to do so within their slim majority in both bodies given that reconciliation is a tool utilized by the majority party to give itself certain legislative flexibilities vis-à-vis the minority party.

The republican majority may also include an increase to the debt limit in any reconciliation package since the U.S. is projected to exceed its borrowing authority at some point during the summer.