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Congress of the United States

JOINT COMMITTEE ON TAXATION
502 FORD HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
(202) 225-3621
<http://www.jct.gov>

August 6, 2025

Honorable Elizabeth Warren
United States Senate
SH-311
Washington, D.C. 20510

Dear Senator Warren:

This memorandum is in response to your request dated June 27, 2025 for a revenue estimate of a proposal that would repeal the provision in the recently passed Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Pub. L. No. 119-21 (commonly referred to as the “One Big Beautiful Bill Act” or “OBBBA”) relating to the ability of taxpayers to expense research and experimentation expenditures under Internal Revenue Code (the “Code”) sections 174 and 174A.

OBBBA allows small businesses, which are defined as those taxpayers with gross receipts less than \$25 million in 2022 and adjusted for inflation thereafter, to file amended returns for tax years 2022 through 2024 to elect to expense domestic research and experimentation expenditures under Code section 174A (the “retroactive small business election”). OBBBA also allows taxpayers to expense domestic research and experimentation expenditures that have not yet been recovered through five-year amortization as of 2025 to be expensed in either 2025 or 2026 (the “prospective election”).

Your proposal would disallow the both the retroactive small business and prospective elections.

Your proposal would not have an overall revenue impact over the 10 years of the budget window as the provision within OBBBA, and your proposal, involve timing effects of realizing the amortization or expensing of Code section 174A expenses within the budget window. For example, a small taxpayer who is allowed to file amended returns to expense Code section 174A expenditures incurred from 2022 to 2024 would be required under your proposal to recover those expenses over five years. All the amortization deductions would still be recovered within the budget window.

The following provides the estimated effects of your proposal on Federal fiscal year budget receipts. For purposes of the revenue estimate, we have assumed a date of enactment of October 1, 2025.

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Fiscal Years [Millions of Dollars]							
<u>Item</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2025-29</u>	<u>2025-34</u>
Section 174.....	---	67,072	-19,731	-30,228	-14,164	2,948	---

NOTE: Details may not add to totals due to rounding.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,



Thomas A. Barthold