January 18, 2024

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Johnson, and Minority Leader Jeffries:

The Telecommunications Industry Association (TIA) encourages Congress to support connectivity for unserved communities as well as critical investments in Research and Development. To this end, we ask that Congressional leaders ensure that a tax deal includes provisions covering the following items:

First, Congress should prioritize restoring the immediate expensing of R&D costs. Since 2022, companies have been required to amortize their R&D expense deductions over a five-year period for research conducted domestically and fifteen years for research conducted internationally. As a result, it is more expensive for businesses to invest in the next generation of technologies. For the telecommunications industry specifically, amortizing R&D expenses makes it harder for U.S. firms to lead the next wave of innovation in 6G, hobbles investments in OpenRAN, and puts America at a disadvantage as we compete with countries like China that provide more generous subsidies for companies investing in innovation. TIA is encouraged that the recently announced Tax Relief for American Families and Workers Act would restore the immediate expensing of domestic R&D costs. To the extent possible, we would encourage the return to immediate expensing of R&D costs to cover both foreign and domestic expenditures and to be retroactive in scope.

Second, we urge you to fix the tax treatment of broadband grants, which subjects the federal government’s own investments under the Infrastructure Investment and Jobs Act in digital infrastructure to costly taxes. TIA supports the Broadband Grant Tax Treatment Act, which would modify Section 118 of the IRS code to ensure that Federal broadband grants,
such as those that will be dispersed this year under the Broadband Equity, Affordability, and Development (BEAD) program, are not treated as taxable income. Subjecting small carriers to substantial tax bills for participating in the BEAD program reduces the amount of funding that will go toward building high-speed networks in unserved and underserved communities. TIA urges Congress to pass this bipartisan, commonsense fix so that BEAD dollars are used for their intended purpose of connecting as many Americans as possible to high-speed, trustworthy, and reliable communications networks.

We thank you for your consideration of this request. Please do not hesitate to reach out if you or your staff or have any questions.

Sincerely,

Melissa Newman
Vice President, Government Affairs
Telecommunications Industry Association (TIA)