



The Honorable Alex Padilla  
United States Senator  
331 Hart Senate Office Building  
Washington, DC 20510

The Honorable Laphonza Butler  
United States Senator  
112 Hart Senate Office Building  
Washington, DC 20510

February xx, 2024

Dear Senators Padilla and Butler:

We write as leaders of life sciences companies in California that represent the leading edge of health care innovation in America. Our research is dedicated to pursuing cures, diagnostics, treatments, and therapies for countless diseases that would be untreatable without the scientific breakthroughs discovered and developed by our companies. To support our work on behalf of the health and well-being of patients, our companies require continuous investment into high-risk research and development (R&D).

For seventy years, the U.S. tax code incentivized long-term investments in innovation and technological breakthroughs by allowing businesses to fully deduct R&D expenses in the same year they were incurred. However, the 2017 Tax Cuts and Jobs Act (TCJA) modified Section 174 of the U.S. tax code so that, starting in 2022, businesses could no longer deduct R&D expenses in the same taxable year. Currently, businesses must amortize such deductions over five years for domestic expenditures or over fifteen years for foreign expenditures.

The projects our companies pursue are lengthy, costly, and risky. In particular, smaller and newer businesses often claim losses in their early stages while they focus efforts on product development. This mandatory amortization is already diverting critical resources away from emerging R&D-intensive companies that are pre-revenue and take enormous risks to develop the next generation of scientific breakthroughs. The loss of the R&D deduction also means that more established companies will have fewer funds to continue their innovative work or invest in the promising technologies being developed by smaller companies.

Earlier this month, the U.S. House of Representatives passed the *Tax Relief for American Families and Workers Act* by an overwhelmingly bipartisan vote of 357-70. This legislation would allow businesses to immediately deduct the cost of their U.S.-based R&D expenses in the year paid or incurred for tax years 2022 through 2025. While we continue to support the full and immediate expensing of both domestic and international R&D expensing, this legislation is good first step in restoring the decades-long standard in the tax code and ensuring continued innovation in the U.S.

We therefore strongly urge you, our California Senators, to support the bipartisan, bicameral *Tax Relief for American Families and Workers Act*.

It is imperative that we enact this fix now instead of waiting for other tax provisions to expire in 2025. Supporting this fix not only helps to ensure that America remains a leader in life sciences innovation, but ensures that the patients that our companies work to treat have access to the best, most innovative therapies and treatments. By reinstating this immediate deduction, Congress will signal its strong bipartisan support for encouraging the development of the future cures and technologies of tomorrow.

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As leaders of companies working to develop the next generation of life science innovations in California, we urge Congress to pass the *Tax Relief for American Families and Workers Act of 2024* and ensure its timely enactment this year.

Sincerely,