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December 9, 2021

Dear Representative LaHood:

On behalf of over 3,000 businesses and thousands more workers throughout the Illinois economy, the Illinois Chambers writes in strong support of permanently preserving the current limit on business interest deductions which is scheduled to expire in 2022.

As you are likely aware, current law limits businesses' interest expense deductions to 30% of earnings before interest, tax, depreciation, and amortization (EBITDA) for tax years through 2021. Starting in 2022, interest deductions will be limited to 30% of earnings before interest and tax (EBIT). By excluding depreciation and amortization, the stricter EBIT standard will make it more expensive for capital-intensive companies to finance critical purchases and grow their businesses.

Without your help, when the EBIT standard takes effect in 2022, capital-intensive businesses will see an increase in their tax liability and financing costs. The lowered limitation will make it more difficult for these job creators to raise capital, hire new workers, and grow. The reduction in flexibility and liquidity caused by the change will also harm businesses' ability to recover from the economic damage caused by COVID-19. Further, limiting business interest deductions could harm U.S. competitiveness by making the United States an outlier compared to our peers in the OECD with interest limitation rules.

Companies impacted by the change from EBITDA to EBIT will experience major reductions to their eligible interest deductions, large increases in their tax liabilities, or both. According to a recent study, businesses affected by the change will see near a three-fold increase in their incremental tax obligations.

The industries most impacted by the change from EBITDA to EBIT are critical to the Illinois and U.S. economy: the information and manufacturing industries will pay the most in new tax obligations under an EBIT standard, while accommodation and food services (3,462%), mining (2,840%), and transportation and warehousing (2,531%) will experience the greatest tax increases.

Without congressional action, these tax increases will take effect in less than six months. Permanently preserving an EBITDA standard for business interest deductions will encourage future growth in the Illinois economy and sustain advances made by employers and workers since the onset of the COVID-19 pandemic last Spring. Please do not hesitate to contact us for more information on the importance of this issue across the state and for job creators in your District. We thank you for your consideration.

Sincerely,

*Todd C. Maisch*

Todd Maisch  
President and CEO  
Illinois Chamber of Commerce