



Biotechnology Innovation Organization

Statement for the Record

Joint U.S. House and Senate Committee on Small Business

"Prosperity on Main Street: Keeping Taxes Low for Small Businesses"

April 8, 2025

The Biotechnology Innovation Organization (BIO) appreciates the opportunity to submit a statement for the record to the Joint U.S. House and Senate Committee on Small Business hearing entitled "Prosperity on Main Street: Keeping Taxes Low for Small Businesses." Helping small biotechs attract and retain capital is a significant focus for BIO, and restoring the immediate expensing of R&D expenditures is an essential step forward in removing a tax on innovation.

BIO represents approximately 1,000 member companies in a biotech ecosystem with a central mission: to advance public policy that supports a wide range of companies and academic research centers that are working to apply biology and technology in the energy, agriculture, manufacturing, and health sectors to improve the lives of people and the health of the planet. BIO is committed to speaking up for the millions of families around the globe who depend upon our success.

Our recommendation to the Committees to promote innovation in the biotechnology industry for small biotechs is to **restore the R&D deduction that was replaced by 5-year amortization in the 2017 Tax Cuts and Jobs Act (TCJA).**

The United States is a leader in biotech innovation due to significant investment in early-stage biotech companies. However, eliminating R&D expensing by the TCJA is a step backward that threatens US leadership. The current amortization regime, if maintained, could have long-term damaging effects on the economy and the biotech industry. Understanding the implications of R&D amortization on investment is crucial, particularly in lengthy, risky, and costly biotech projects.

The full scope of the damaging impacts of the provision on the smallest companies continues to reveal itself. For example, the current R&D amortization provision may impose significant tax burdens on recipients of Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) grants. Recipients of SBIR/STTR and other government grants are generally very early-stage companies just transitioning their promising technology from an academic research institution to a company to start the development process. However, the switch to amortization has left many of these companies with a significant tax liability and left many more companies reconsidering whether even receiving the grants – which are intended to provide a critical lifeline at such an early stage of the company – is worth it.

These grants are often the first major investment the company has received, and virtually all of it is devoted to R&D expenditures. While these grants are considered taxable income to the recipient, immediate expensing previously allowed an immediate deduction that offset any tax liability. Now, however, many of these companies will face a large upfront tax bill, forcing them to divert critical funds from their research at an early make-or-break moment for the company's technology. In short, R&D amortization threatens to stifle innovative discoveries before they are even launched.

Small-to-medium companies may also feel the harmful impacts of the provision even though they don't yet have a product on the market. At this stage, small biotechs often depend on partnerships with larger companies to help fund their research. Payments received under these collaboration agreements may be treated as taxable income. These growing companies may also face a new tax liability without the ability to offset this income with the R&D deduction.

Accordingly, BIO urges immediate action to restore the R&D deduction. The current R&D amortization provision worsens the funding difficulties small biotech companies face in an already challenging investment environment. Urgent action is needed to reverse the R&D amortization provision and safeguard the future of R&D companies and the development of life-saving treatments and cures.

We thank the Committees for this opportunity to offer BIO's views on tax policies to support innovation within the biotech industry. We look forward to working with Congress on these important issues and stand ready to support in any way we can.