

May 13, 2025

The Honorable Jason Smith
Chairman
House Committee on Ways & Means
1139 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
House Committee on Ways & Means
1129 Longworth House Office Building
Washington, D.C. 20515

Re: Tax Provisions in Title XI of the Budget Reconciliation Legislation

Dear Chairman Smith and Ranking Member Neal:

As the leading authority on oral health in the United States, the American Dental Association (ADA), representing over 159,000 dentists across the country, writes regarding the Committee's markup of Title XI of budget reconciliation legislation. We commend the Committee's continued leadership in advancing tax policy that supports small business dentists and strengthens access to care for millions of patients.

Many of the proposed measures will provide critical financial support to dental practices across the country, improving community health efforts and oral health outcomes. Dentists rely on sound tax policy to remain financially competitive, make necessary investments in their practices, and weather economic uncertainty. *The Tax Cuts and Jobs Act of 2017* (PL: 115-97) provided tax relief and spurred economic growth for millions of American businesses. The ADA is pleased to see the proposed extension of many of the Act's key provisions, in addition to new policies that will greatly benefit the dental sector and the wider American economy.

Small Business Income Deduction (Sec. 110005): The ADA supports the Committee's proposal to increase the qualified business income (QBI) deduction to 23%. This new rate will protect the small business dental practice model for years to come and gives dentists stability to practice in rural and underserved communities. It will allow small businesses to achieve tax parity with larger corporations, ensuring continued competitiveness for independent health professionals and other small businesses.

Bonus Depreciation (Sec. 111001): Restoring and extending the full bonus depreciation rate of 100% until 2029 will allow dentists to make timely investments in their practices with the backing of full deductions. The current phased-out rate poses a risk to dentists who wish to update their practices but cannot fully expense their costs. Patients benefit from cutting-edge practice settings when dentists can invest in new infrastructure, technology, and equipment.

21% Corporate Tax Rate: Retaining the current corporate tax rate benefits the dental industry, and the broader economy, through increased productivity, output, wages, and employment. This rate will lower costs for consumers and patients while promoting investment in a diverse range of businesses.

Postsecondary Credentialing Expenses (Sec. 110111): The ADA supports the Committee's initiative to classify certain postsecondary credentialing expenses as higher education expenses for qualified tuition program purposes. This measure gives students and their parents financial flexibility to pay for specialized programs and improves the workforce in niche areas of employment. The ADA strongly supports providing financial resources for dental professionals to obtain training, skills, and credentialing to bring specialized knowledge back to their communities.

Partial Deduction for Charitable Contributions (Sec. 110112): The ADA supports the proposal to allow for partial deductions for nonitemized charitable contributions. Charitable contributions to health organizations fund dynamic research and innovative treatments that save lives.

Employer Student Loan Payments (Sec. 110113): Permitting employees to exclude the first \$5,250 of employer-provided student loan repayments from their taxable gross income will help dental practices staff their offices, while providing student debt relief to early-career dentists. The inflation adjustment provision ensures that this mechanism will continue to be effective over time.

Domestic Research Deductions (Sec. 111002): We believe that this provision to allow taxpayers to immediately deduct domestic research or experimental expenditures will remove financial barriers to dental research. Amending the current five-year deduction period will encourage timely research for groundbreaking discoveries in the oral health field.

Adjusted Business Income Deduction (Sec. 111003): The ADA is in favor of this measure to permanently increase the deduction limit for business interest expenses to align with adjusted taxable income. Calculating deductions based on earnings before interest, taxes, depreciation, and amortization (EBITDA) will create a more equitable tax burden for dentists based on their complete financial picture.

Expensing of Certain Depreciable Business Assets (Sec. 111103): This provision to increase the maximum amount that may be expensed for qualified business expenses to \$2.5 million (reduced by the cost of qualifying property over \$4 million) will provide necessary tax relief for dentists who have already invested in their practices. It will encourage further investment in dental practices to the benefit of patients.

Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs) (Secs. 110209-110213): Both FSAs and HSAs provide patients with flexible payment options to meet their healthcare needs. The ADA commends the Committee's work to allow spouses to make contributions to the same HSA, permit tax free rollovers of FSA and Health Reimbursement Arrangements (HRAs) into HSAs, and to increase individual contribution limits to HSAs by \$4,300 for individuals making under \$75,000.

While we support the broader goals of the legislation, we respectfully note the following provisions as areas of concern:

Unrelated Business Income Tax (Sec. 112025): We were disappointed to see the inclusion of this section to include within unrelated business income tax (UBIT) the income

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from the licensing or sale of a tax-exempt organization's logo. The ADA Seal of Excellence has provided consumers with confidence in the safety of their oral health products for 93 years. This tax threatens efforts by nonprofits to lend their expertise to consumer products. We urge the Committee to reconsider this provision or exempt public health-related licensing programs, such as the ADA Seal, from this tax treatment.

Exclusion of Certain Research Related Income (Sec. 112026): This proposal will increase UBIT for nonprofit institutions engaged in certain research efforts. The ADA is concerned that this section will create subjective classification for research types and stifle scientific efforts to gain a better understanding of oral health.

De Minimis Entry Privilege (Sec. 112031): Repeal of the *de minimis* privilege could threaten the ability of dentists to import needed supplies and equipment. For example, the provision could affect imported toothbrushes, disposable equipment, or small clinical tools. In addition, the availability of imported consumer dental products may be hampered by removal of the exemption.

Thank you for the opportunity to share our thoughts on this legislation. We appreciate the efforts of the Committee to sculpt sound tax legislation that benefits American companies and consumers. We respectfully urge the Committee to address these priorities and concerns as you advance this legislation through reconciliation.

The ADA stands ready to work with Committee members and staff to find tax solutions that empower patients and elevate oral healthcare around the country. We welcome the opportunity to discuss these priorities further. If you have any questions or would like additional information, please contact Nick Cargas at cargasn@ada.org.

Sincerely,



Brett Kessler, D.D.S.
President
American Dental Association



Elizabeth Shapiro, D.D.S., J.D.
Interim Executive Director
American Dental Association