



3January 19, 2024

Chairman Jason Smith
Committee on Ways and Means
1139 Longworth HOB
Washington, DC 20510

Ranking Member Richard Neal
Committee on Ways and Means
1139 Longworth HOB
Washington, DC 20510

Chairman Smith and Ranking Member Neal:

We are writing to express our support for the Tax Relief for American Families and Workers Act of 2024. Specifically, the provisions included in the bipartisan agreement which would contribute to the restoration of U.S. competitiveness and innovation by allowing companies to deduct research and development costs.

The Hunter family of companies ("Hunter"), Hunter Buildings and Manufacturing, L.P and Hunter Buildings International, L.L.C., specializes in designing, engineering, and manufacturing modular buildings to protect against various threats such as forced entry, projectiles, and natural disasters. Their modular nature allows for offsite construction, relocation, reduction of environmental impacts and site-related threats while enabling energy efficiencies and minimizing waste. Headquartered in Texas, Hunter has the capability to serve customers domestically and internationally with efficient delivery and lower costs compared to other building providers.

However, we face a significant challenge resulting from changes in the tax code. The Tax Cuts and Jobs Act (TCJA) changed the treatment of Research and Experimentation (R&E) costs.

Starting after December 31, 2021, taxpayers are now required to capitalize and amortize R&E expenses over five or 15 years, depending on the activity's location. This replaces the previous deduction practice under Internal Revenue Code (IRC) Section 174. Following these changes, we will only be able to deduct 10% of Qualified Research Expenditures for the year, about \$1.4 million, rather than the full \$14.0 million that we would have been able to deduct in years prior. While the difference in the amount we can deduct is a deferral and not a disallowance of a deduction, it will result in a current year reduction of over \$ 3.5 million in resources available, which equates to over three years' worth of our capital expenditure budget, that we would otherwise use towards the activities that help grow the business such as investing in additional research and development activities, purchasing new equipment, purchase of additional inventory, and the employment of new and existing employees. This deferral is a hardship for a small manufacturing company like us and it greatly hinders Hunter's ability to continue our important work.

We urge your support for passage of the Tax Relief for American Families and Workers Act of 2024. Allowing for immediate R&D expenditure deductions will enable Hunter to continue contributing to the economy and national security.



Michael Draper, COO