

January 19, 2024

Chairman Jason Smith  
House Ways & Means Committee  
1102 Longworth House Office Building  
Washington, DC 20515

Ranking Member Richard Neal  
House Ways & Means Committee  
1139 Longworth House Office Building  
Washington, DC 20515

Chairman Ron Wyden  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Ranking Member Mike Crapo  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairmen Smith, Chairman Wyden, Ranking Member Crapo, and Ranking Member Neal,

On behalf of the Portland Cement Association (PCA), I am writing in support of the Tax Relief for American Families and Workers Act (H.R. 7024). This legislation addresses tax mechanisms crucial to the cement industry's ability to provide the building material critical to American economic growth. The deductions for interest (IRC §163(j)), research and development (R&D) expenses (IRC §174), and bonus depreciation (IRC §168(k)) have harmed the industry since their curtailment at the end of 2022. This legislation addresses that harm by being robust and retroactive.

Cement – the principal ingredient in concrete – makes our modern world possible. The mixture of cement, aggregate, and water produces the building material concrete. Concrete is essential to the modern world. It is used in pipes and facilities that deliver clean water, to build the ports vital to world trade, to construct mass transit systems connecting people, and to construct the buildings we work and live in.

There are approximately 100 cement manufacturing plants in 34 states and over 300 cement terminals in 45 states. Domestically, about 95 million metric tons of portland cement were produced in 2022, and 110 million metric tons were consumed. The cement and concrete industry contributes over \$100 billion to the U.S. economy annually and employs over 600,000 people.

Regarding the IRC §163(j) interest deduction, the change in the calculation of adjusted taxable income (ATI) from earnings before interest, taxes, depreciation, amortization, and depletion (EBITDA) concept to an EBIT concept will significantly affect our members. Cement production often requires extensive debt financing; improvements to plants can cost in the hundreds of millions of dollars. By not allowing depreciation, depletion, and amortization to be added back to a company's ATI calculation, a punitive amount of interest will be disallowed for the majority of companies within our industry.

Additionally, the phaseout of the bonus depreciation deduction is affecting spending for capital expenditures (CAPEX) of countless businesses, particularly capital-intensive ones like cement manufacturing. By disallowing businesses to fully recognize the immediate benefit of expanding their operations, the reduced CAPEX spending could have a trickle-down effect on the economy (i.e., less spending means less stimulation of the economy, which could create a downturn in the economy and possible recession). Likewise, the disallowance of an immediate deduction of R&D expenses in the year incurred will make R&D more costly to conduct for many of our members, is leading to reductions in business investments.

Further, we expect the demand for cement to increase as the economic recovery continues and states and communities implement infrastructure projects funded mainly by the investments made through the Bipartisan Infrastructure Law. For example, based on PCA's Market Intelligence forecasts, the investments made by the Bipartisan Infrastructure Law will result in incremental demand of 46 million metric tons over the five-year program. Increasing taxes on cement manufacturers as they balance sustainability investments and meeting market demands would be harmful to Congress's broader economic recovery and public policy goals.

Please be aware that although each limitation is separate in nature, they are all intertwined and, if limited or phased out, may create financial strain for a multitude of businesses. Businesses are the backbone of the economy, and these actions could, in turn, have a negative domino effect on the economy and ultimately threaten jobs associated with such spending.

PCA appreciates your considerable effort to reach this bipartisan, bicameral agreement that helps businesses through economic uncertainty. We look forward to working with you to advance this legislation that protects American economic competitiveness, job growth, and leadership. If you have any further questions, please contact me at [soneill@cement.org](mailto:soneill@cement.org) or (202) 719-1974.

Sincerely,



Sean O'Neill  
Senior Vice-President, Government Affairs  
Portland Cement Association