

April 25, 2025

The Honorable Jason Smith, Chairman
The Honorable Richard Neal, Ranking Member
Committee on Ways and Means

The Honorable Brett Guthrie, Chairman
The Honorable Frank Pallone, Ranking Member
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Mike Crapo, Chairman
The Honorable Ron Wyden, Ranking Member
Committee on Finance

The Honorable Shelley Moore Capito, Chairman
The Honorable Sheldon Whitehouse, Ranking Member
Committee on Environment and Public Works
United States Senate
Washington, DC 20510

Dear Chairman Smith, Ranking Member , Chairman Guthrie, Ranking Member Pallone, Chairman Crapo, Ranking Member Wyden, Chairman Capito, Ranking Member Whitehouse, and Members of the Committees:

We the undersigned consumer, free-market, and taxpayer advocacy organizations write in strong support of H.R. 640 and S. 615, Chemical Tax Repeal Act of 2025 sponsored by Reps. Van Duyne (R-TX), Miller (R-WV), LaHood (R-IL), and Carey (R-OH) in the House and Senators Cruz (R-TX), Barrasso (R-WY), Cornyn (R-TX), Kennedy (R-LA), and Lee (R-UT) in the Senate.

This legislation would repeal an ill-conceived version of the so-called Superfund Excise Tax, resurrected in 2022 at double the rate the tax was last levied before it was suspended in 1995. The current tax, a legacy of the massive Infrastructure Investment and Jobs Act (IIJA) that President Biden signed into law three and a half years ago, has proven to be an economic debacle that now jeopardizes numerous policy goals of this Congress and the Trump Administration. The following are just a few of the tax's problematic aspects, along with an assessment of the impact of its repeal.

Consumers Face Hundreds of Thousands of Hidden Price Tags. At present, the IIJA tax affects 42 domestic chemical substances and 150 imported ones, which comprise key and often irreplaceable ingredients in products such as tires, medical supplies, trash bags, paint, siding, electronics, and furniture. By the nature of their operation, excise taxes are particularly susceptible to being passed along in the price of goods, often without consumers' knowledge of the reason for the added expense. In any case, tax increases imposed upon businesses are never simply absorbed—even if not passed along in their entirety to consumers, they are borne by workers in the form of lower wages, by shareholders in the form of reduced returns, or by our economy in general due to lost opportunities for expansion in the U.S. private sector.

Taxpayers Suffer the Same Fate. All the items above—and many more—happen to be purchased by governments as well, including the Department of Defense, Medicare and Medicaid, local fire and police departments, and schools. Taxpayers therefore foot a considerable share of the bill for these purchases, which are made costlier due to the IIJA tax hikes. Federal spending is out of control, having risen an astonishing 33.6% after inflation since 2019.¹ Lawmakers should be working to reduce, not raise, government outlays, and the IIJA tax is an obstacle to this vital end.

The Tax Is Administratively Complex. The IIJA tax, itself a resurrection of a controversial Superfund Tax² that expired some 30 years ago, has proven difficult for businesses and the government to administer. The tax enacted in 2021 and instituted in 2022 has a much lower threshold of applicability than its predecessor, and presents challenges for downstream producers and manufacturers like never before, especially those that might use traditional fuel stocks for non-fuel purposes.³ The IRS's subsequent rulemaking about how to comply with the tax, issued in 2023, has raised as many questions among private-sector tax compliance professionals as it has answered.⁴ These burdens represent significant out of pocket costs not just for taxpayers who may file and remit the IIJA tax, but for numerous other businesses throughout the supply chain seeking to understand whether, how, and when compliance obligations may be triggered for them in the future. The economy-wide compliance costs for this extraordinarily complex law could easily amount to hundreds of millions of dollars, again arguing for repeal of the IIJA tax.

The IIJA Tax Blocks the Trump Administration's Policy Goals of Fighting Inflation, Creating Jobs, and Strengthening Supply Chains. On January 20, President Trump ordered all departments and agencies to “deliver emergency price relief, consistent with applicable law, to the American people” as well as “create employment opportunities for American workers.”⁵ Complementing these goals have been policy directives, stretching back to the first Trump Administration, to strengthen the resiliency of the supply chain that supports U.S. production. Most recently, a March 21 presidential Executive Order affirmed the need “to facilitate domestic mineral production to the maximum possible extent.”⁶ Repeal of the IIJA tax would not only help to ease inflationary cost pressures on the numerous products mentioned above, it would also provide more job opportunities inside and outside of the chemical sector. At the same time, doing so would increase the affordability of inputs from here and abroad, allowing manufacturers based in the United States to expand their facilities and hone their competitive edge. After all, the IIJA tax currently applies to U.S. employers that extract or utilize minerals deemed critical by the government for the domestic industrial base.

¹ See [Budget FY 2025 - Historical Tables, Budget of the United States Government, Fiscal Year 2025 - Document in Context](https://www.budget.gov/fy2025/historical-tables) .

² See <https://www.gao.gov/content/pkg/GAOREPORTS-HR-97-14/pdf/GAOREPORTS-HR-97-14.pdf>.

³ See, for example, <https://tax.thomsonreuters.com/news/return-of-superfund-excise-taxes-will-burden-us-companies-experts-say/>.

⁴ See, for example, <https://www.law360.com/articles/1687105/compliance-obligations-still-murky-for-superfund-excise-tax>.

⁵ See <https://www.whitehouse.gov/presidential-actions/2025/01/delivering-emergency-price-relief-for-american-families-and-defeating-the-cost-of-living-crisis/>.

⁶ See <https://www.whitehouse.gov/presidential-actions/2025/03/immediate-measures-to-increase-american-mineral-production/>.

Repeal Is Possible without Expanding Deficits. In 2021, Congress's Joint Committee on Taxation (JCT) projected that the revenue raised by the IJJA excise tax would reach \$14.45 billion over 10 years.⁷ According to IRS data, in its first full year of operation (2023) the IJJA tax brought in \$674.6 million,⁸ roughly half a billion dollars less than JCT anticipated for 2023. Given this slower-than-anticipated ramp-up in revenues, passing H.R. 640/S. 615 would likely result in less of an impact than the remaining years of JCT's original projection (\$11.4 billion from 2025 through 2031) might suggest. In fact, the House sponsor of H.R. 640 has recently received new information from JCT that repeal of the tax beginning January 1, 2026, would have an impact of \$4.86 billion through 2035. Furthermore, by relieving the administrative and pass-through cost burdens on businesses and consumers, thereby contributing to job creation and business expansion, the resulting economic growth from repeal could help to generate some additional offsetting revenues.⁹

Nonetheless, we are not oblivious to the potential deficit impact surrounding repeal of the IJJA tax. Fortunately, there are many policy tools to ensure that passage of H.R. 640/S. 615 would be deficit-neutral, starting with the massive spending that IJJA provided. To give just one example, according to the Department of Transportation (DOT), IJJA provided for \$36 billion of Intercity Passenger Rail Grants over five years. DOT's latest draft status report shows that \$11.1 billion in funds available under this category of grant had not been obligated as of February 28, 2025. Across all IJJA grant categories, DOT lists a total of \$125.5 billion in unobligated monies.¹⁰ Given the massive waste of resources on government-funded passenger rail projects, such as California's perpetually behind-schedule, over-budget intercity rail scheme,¹¹ reprogramming part of IJJA's remaining largesse for unproductive passenger rail grants (or other grants) in favor of the pro-growth tax reduction in H.R. 640/S. 615 could be a net positive for the economy.

A bedrock principle of business-related provisions in the Tax Cuts and Jobs Act (TCJA) of 2017 was to create fewer distortions among sectors of the economy, endeavoring to treat all industries in an equivalent manner. As lawmakers debate extension and augmentation of the TCJA, they should not forget other tax laws that violate this principle. The IJJA tax is a discriminatory, distortionary scheme that should be a natural candidate for repeal in this pivotal year for tax policy.

Thank you for your consideration, and we look forward to assisting you and your colleagues in the swift passage of H.R. 640/S. 615.

Sincerely,



Pete Sepp
President
National Taxpayers Union



James L. Martin
Founder and Chairman
60 Plus Association

American Association of Senior Citizens

Saulius "Saul" Anuzis
President
American Association of
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AMERICAN COMMITMENT

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⁷ See <https://www.jct.gov/publications/2021/jcx-33-21/>.

⁸ See <https://www.irs.gov/statistics/soi-tax-stats-excise-tax-statistics>.

⁹ A coalition of 14 business and trade organizations, writing in support of H.R. 640/S. 615, noted that repeal of the IJJA tax on just half of the 42 targeted domestic chemicals could "increase chemical industry output by more than \$300 million annually." This output could generate significant corporate profit tax and other types of collections. See <https://www.taxnotes.com/research/federal/legislative-documents/congressional-tax-correspondence/chemical-excise-tax-should-be-repealed-orgs-say/7r197>.

¹⁰ See <https://www.transportation.gov/mission/budget/infrastructure-investment-and-jobs-act-ijja-funding-status-report>.

¹¹ See, for example, <https://enotrans.org/article/fra-studies-reviving-canceled-amtrak-long-distance-routes/#:~:text=According%20to%20Amtrak's%20end%20of, costs%20for%20resumption%20of%20service>; <https://sgp.fas.org/crs/misc/R45942.pdf>; <https://amtrakoig.gov/news/audits-press-release/oig-identifies-challenges-amtrak-may-face-implementing-infrastructure-act>; <https://www.politico.com/news/2025/02/21/california-high-speed-rail-jg-report-00205506>; and <https://californiapolicycenter.org/newsom-high-speed-rail-project/>.