June 7, 2025

The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mike Crapo
Chairman, Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Leader Thune and Chairman Crapo,

On behalf of the Members of the American Chemistry Council (ACC), I am writing to reiterate our views on key priority elements of tax reform. The ACC represents the leading companies engaged in the business of chemistry. Being the 2nd largest chemical producing country, we are a $633 billion dollar domestic industry directly employing over 550,000 people and accounting for 10% of goods exports. Given the expansive and capital-intensive nature of the chemical industry, pro-growth tax policy is of critical importance as our CEO's determine current and future investments and production decisions. More specifically, your work to extend and enhance the pro-business elements of the 2017 Tax Cuts and Jobs Act (TCJA) is an essential element in these decisions.

Most significantly, ACC appreciates that the TCJA permanently lowered the corporate income rate from 35% to 21% and created a quasi- territorial tax system. As you continue to craft your legislation, we urge you to permanently restore the full deduction for R&D expenses, permanently revive the immediate 100% full expensing of capital equipment purchases, and reinstate permanently the pro-growth interest deductibility standard based on Earnings Before Interest Tax, Depreciation, and Amortization (EBITDA).

ACC also views as extremely important the preservation and permanence of the 37.5% Foreign Derived Intangible Income (FDII) deduction, the existing Global Intangible Low Tax Income (GILTI) regime and rate, and the 10% Base Erosion and Anti Abuse (BEAT) rate.

The 2021 Infrastructure Investment and Jobs Act (IIJA) contained a specific excise tax on a statutory list of 42 building block chemicals and well over 100 chemical substances. This tax is punitive, inflationary, and it negatively affects the industry's competitiveness. Moreover, it is an administrative albatross that strangles the entirety of the vast chemical supply chain. We urge the Senate to repeal this tax effective January 1, 2026.

ACC members are the leading innovators in the development of energy efficient and energy diverse technologies and products. To compete against international competitors and continue to meet consumer demand, the chemical industry plans to utilize and be a beneficiary of a number of existing tax credits. However, the approach embodied in HR1 currently threatens the utility of a number of these credits and the associated chemical companies' existing and planned domestic manufacturing investments. Specifically, while ACC's members are not the recipients of the 25C Energy Efficient Home Improvement Credit, 25D Residential Clean Energy Tax Credit, or the 45L Efficient Home Tax Credit, these long-standing credits enable reduced cost for homeowners in energy consumption and increase the development and sale of innovative chemical products. We urge the Senate not to adopt the elimination of these credits as contained in HR1.

The US chemical industry is a leading producer and user of hydrogen, and a leading innovator in carbon capture, utilization, and storage (CCUS) technology development and deployment. The changes to the Qualified Clean Hydrogen Production Credit (Section 45V) will severely curtail future domestic hydrogen production, and we request that reauthorization of the this credit extend to at least December 31, 2029. The changes to the CCUS credit (Section 45Q) contained in HR1, may also limit large scale deployment of carbon management projects. We request that the Senate to consider extending transferability in the House Bill to at least four years after enactment.

The Advanced Manufacturing Production Tax Credit (Section 45X) is critical to the development of a domestic US critical minerals and battery manufacturing industry. We request the Senate to eliminate the phaseout introduced by the House on critical minerals specifically. Additionally, the proposed "prohibited foreign entity" language applied across several of the credits would make it very difficult for domestic manufacturers to claim the 45X credit from a tax compliance perspective. We urge the Senate to carefully review this language to ensure that domestic manufacturers can take advantage of these important credits.

Finally, we note that ACC consists of both inbound and outbound companies, and we support the Administration's focus on protecting and building new domestic manufacturing and opposing extraterritorial taxes of all kinds including OECD Pillar II. We want to protect previous investment decisions by our member companies and encourage new U.S. investment decisions. We remain concerned about imposing specific new measures which may threaten investment in the U.S. by foreign based corporations.

Thank you for all your work to provide pro- growth and stable tax policy for U.S. chemical manufacturers.

Sincerely,

Chris Jahn
President and CEO