ELECTRONIC TRANSACTIONS ASSOCIATION
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June 13, 2023

The Honorable Jason Smith
Chairman
House Committee on Ways & Means
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Committee on Ways & Means
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal:

On behalf of the Electronic Transactions Association (ETA), I am pleased to share our views on several bills that are being considered by the Committee during the June 13, 2023, markup.

ETA is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing approximately $44 trillion annually in purchases worldwide and deploying payments innovation to merchants and consumers.

H.R. 3938, the *Build It in America Act*

ETA supports Title I, which would restore the ability of businesses to immediately deduct their research and development (R&D) expenses and reinstating the earnings before interest, tax, depreciation, and amortization (EBITDA) standard for business interest deductions.

Sec. 101 – Deduction for research and experimental expenditures

ETA member companies rely on R&D to drive innovation, improve security, enhance user experience, and meet regulatory obligations. For example, ETA member companies employ R&D in the following areas:

- **Innovation and Product Development:** R&D activities enable payment companies to innovate and create new payment solutions, products, and services. This can involve researching and developing new payment technologies, such as contactless payments, mobile wallets, or biometric authentication methods.
- **Security and Fraud Prevention:** Payment companies invest heavily in R&D to enhance security measures and prevent fraudulent activities. They conduct research on encryption techniques, fraud detection algorithms, and authentication protocols to ensure secure transactions and protect customer data.
- **User Experience and Interface Design:** R&D efforts are directed towards improving user experience and interface design in payment systems. This helps payment companies deliver seamless and convenient payment experiences to customers.
- **Compliance and Regulatory Requirements:** Payment companies need to comply with various regulations and standards in the financial industry. R&D is utilized to ensure compliance with evolving regulations, such as anti-money laundering (AML) and know your customer (KYC) requirements.

Immediate R&D expensing serves as a powerful incentive for payment companies to invest in innovation and technological advancements. By allowing companies to fully deduct their R&D expenses, including wages, in the same tax year they are incurred, this policy encourages critical investments in research and development. However, the expiration of this provision has forced businesses to amortize their R&D

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investments over 15 years, starting from their 2022 tax returns. This change has not only made the United States an outlier among developed nations but has also negatively impacted our economic competitiveness. By immediately expensing R&D efforts, it will enable payment companies to stay competitive, deliver cutting-edge solutions, and provide fast, secure, and seamless payment experiences to their customers.

Sec. 102 – Extension of allowance for depreciation, amortization, or depletion in determining the limitation on business interest

Under the stricter earnings before interest and tax (EBIT) standard, payment companies could experience higher taxes and increased financing costs, reducing their flexibility and liquidity. This stricter EBIT standard has made it costlier for capital-intensive companies to finance their growth and reduces their flexibility and liquidity, making it harder for them to secure capital, hire new employees, and expand their operations—especially during a period of rising interest rates.

These factors may make it more difficult for payment companies to raise capital, expand their operations, and have an impact on their ability to invest in R&D, affecting innovation within the industry. Given ongoing economic instability and rising interest rates, prompt action is necessary to prevent Section 163(j) from unreasonably limiting businesses' ability to expand and generate employment opportunities within the United States.

H.R. 3937, the *Small Business Jobs Act*
ETA supports amending the IRS's Form 1099-K threshold to a level that provides certainty and consistently to all entities without hampering micro-businesses. With the persistence of inflationary pressures, individuals and micro-businesses are increasingly turning to online marketplaces to enhance their earnings and expand their customer base. For example, individuals selling their used electronic devices and roommates splitting bills through payment platforms will be affected by the new tax reporting system.

The broad support from both sides of the aisle highlights the necessity for timely action to maintain a fair, accessible, and secure online ecosystem for consumers and taxpayers.

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ETA strongly supports the provisions outlined above. Thank you for the opportunity to weigh in on these important issues. If you have any questions, please contact me or ETA's Executive Vice President, Scott Talbott, at stalbott@electran.org.

Sincerely,

Jeff Patchen
Director of Government Affairs
Electronic Transactions Association