Retain and Strengthen the Foreign-Derived Intangible Income (FDII) Deduction

American Chemistry Council

The Biden-Harris Administration has proposed eliminating the deduction for foreign-derived intangible income (FDII) that was part of the Tax Cuts and Jobs Act (TCJA). ACC members benefit from FDII, which replaced the domestic production deduction (former section 199) as an incentive to manufacture in the United States for export. FDII supports U.S. manufacturing and jobs. Eliminating the deduction for FDII would cost the U.S. chemical industry hundreds of millions per year. We urge Congress to retain and strengthen FDII to encourage businesses to export products from the United States.

Survey Findings

The American Chemistry Council (ACC) **conducted a survey of its member companies in June of 2024** to understand the effects of key provisions of the TCJA on their businesses and the likely impacts if these provisions are repealed or allowed to expire.

FDII is among the provisions of the TCJA that helps incentivize companies that hold their intangible assets in the United States. Among other harmful potential rollbacks, **repealing the FDII deduction would choke U.S. manufacturing**, diverting dollars from domestic investment and workers. Our survey affirmed that retaining and strengthening the FDII deduction is a priority for ACC members.

Importance of the FDII Deduction to ACC Members

"The continuation of the TCJA, **including FDII**, will help ensure U.S. investment continues in the future, **which will help grow U.S. exports**."

"The U.S. needs to **maintain the FDII deduction at the current rate**."

"In reaction to the FDII incentive, **our company migrated significant intangible property to the U.S.** that had been owned and was being developed by overseas affiliates. In conjunction with this migration, **significant R&D investment is now being performed and funded in the U.S., creating and maintaining high wage research and engineering jobs** throughout the U.S."

59% of companies say the FDII deduction **has increased the global competitiveness of their company**, while 59% say the loss of the FDII deduction would decrease their company's global competitiveness.

30% of companies say the FDII deduction **has led to increased capital investment in the U.S. by their company**, while 30% say the loss of the FDII deduction would lead their company to decrease capital investment in the U.S.

19% of companies say the FDII deduction **has led to increased R&D investment by their company**, while 19% say the loss of the FDII deduction would lead to decreased R&D investment by their company.

22% of companies say the FDII deduction **has led to increased hiring by their company**, while 11% say the loss of the FDII deduction would lead to decreased hiring by their company.

37% of companies say the FDII deduction **has led to their company maintaining or expanding U.S. operations**, while 11% say the loss of the FDII deduction would lead to reduced or offshored operations by their company.

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