

Ensuring Better Interest Treatment and Deductibility Act (*EBITDA*)



SHELLEY MOORE
CAPITO
United States Senator for West Virginia

ISSUE OVERVIEW:

- Bottom Line Up Front – Excluding global income from interest deductibility calculations harms U.S.-based companies.
- IRC Sec. 163(j) was recently amended to exclude Subpart F income, GILTI inclusions, and Section 78 gross-up amounts from the definition of Adjusted Taxable Income (ATI).
- These anti-competitive changes shrink the ATI base and reduce allowable interest deductions, even when such global income is fully subject to U.S. tax.
- The new ATI limitation undercuts key pro-growth outcomes of the permanent restoration of the EBITDA-based calculation.

WHY THIS MAKES THE U.S. LESS COMPETITIVE:

- U.S.-based multinationals predominantly finance all of their operations from the U.S. where they are credit-rated and have the largest cash needs.
- Excluding global income items from ATI undermines pro-growth tax policy and causes U.S. companies to lose interest deductions on legitimate financing making the U.S. a global outlier among leading OECD nations.
- U.S. firms now face higher after-tax costs of capital compared to foreign competitors that operate under more preferential EBITDA-based regimes.
- The new limitation retroactively penalizes companies that entered into long-term debt arrangements based on existing law, disrupting capital planning and introducing uncertainty into past investment decisions.
- U.S. multinationals are now at a disadvantage when competing in global markets for leveraged acquisitions, as foreign-headquartered rivals often benefit from more favorable interest deductibility rules and can therefore finance transactions more efficiently.

POLICY RECOMMENDATION:

- “Ensuring Better Interest Treatment and Deductibility Act (EBITDA)” would repeal the new ATI limitation excluding global income of U.S. companies.
- Restoring globally competitive interest deductibility standards is America First policy and will help unleash domestic investments for U.S.-headquartered companies.