High Interest Rates +
EBIT Standard for Interest Deductibility =

Double Headwinds to U.S. Jobs & Economic Growth

High interest rates remain a top challenge for U.S. businesses, making it harder and more expensive for companies to raise capital, hire new workers, and grow. But the bite of high interest rates is made even worse by the stricter EBIT standard on business interest deductions. As shown in the chart below:

- The combination of a **stricter EBIT standard plus higher interest rates has increased borrowing costs by nearly 3X** compared to 2017.

- **Restoring the EBITDA standard** would mitigate the impact of higher interest rates and **reduce borrowing costs by more than 50%** – a significant incentive for U.S. businesses to increase capital expenditures and investments in company infrastructure, job creation, and wage and benefits increases for employees.

The U.S. cannot achieve its full economic growth potential until we restore the pro-growth EBITDA standard in Section 163(j).

APPLICATION OF 163(j) EBITDA v. EBIT + Interest Rates 2017 v. 2024 (In Millions)	2017 *Interest Rates*		2024 *Interest Rates*	
	EBITDA	EBIT	EBITDA	EBIT
Revenue	$200	$200	$200	$200
Operating costs	$80	$80	$80	$80
EBITDA	$120	$120	$120	$120
Depreciation and Amortization	$60	$60	$60	$60
EBIT	$60	$60	$60	$60
BORROWING OF $700				
Interest Rate	4.2%	4.2%	6.6%	6.6%
Interest Expense	$29	$29	$46	$46
Net Income (Absent 163(j))	$31	$31	$14	$14
NET INTEREST LIMITATION				
30% of EBITDA/EBIT	$36	$18	$36	$18
Deductible Interest Expense	$29	$18	$36	$18
Non-Deductible Interest	$0	$11	$10	$28
Extra Cost of Borrowing *(21% x Non-Deductible Interest)*	**$0**	**$2.3**	**$2.1**	**$5.9**
Effective After-Tax Interest Rate	**3.3%**	**3.6%**	**5.5%**	**6.0%**