November 9, 2026

The Honorable Roger Wicker
Chairman
Senate Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Jack Reed
Ranking Member
Senate Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Mike Rogers
Chairman
House Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Adam Smith
Ranking Member
House Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

Re: Exclude Section 815 of S. 4784 from the FY 2027 NDAA

Dear Chairman Wicker, Ranking Member Reed, Chairman Rogers, and Ranking Member Smith:

As you work to reach agreement on the National Defense Authorization Act (NDAA) for Fiscal Year 2027, the undersigned organizations urge you to exclude Section 815 of S. 4784 from the final legislation. A similar restriction on share repurchases did not advance during House consideration of H.R. 8800, and the House-passed bill contains no comparable provision.

Section 815 would prohibit contractors providing goods or services to the Department of War from repurchasing their own publicly traded stock, paying dividends, or making other capital distributions throughout the life of a contract, absent a waiver from the Secretary. The restrictions would apply regardless of the contract's dollar value and would reach thousands of businesses whose goods or services have no connection to the production of weapons and defense systems.

Our organizations represent businesses across the U.S. economy that share your commitment to a strong defense industrial base. Conditioning defense contracts on these restrictions would work against that objective by discouraging companies from entering or remaining in the defense sector and deterring private investment. We therefore renew the concerns raised in the business community's earlier letters opposing Section 815 and a related House amendment.[1]

Discouraging Participation in the Defense Industrial Base

Expanding the defense industrial base requires commercial firms and technology companies to see federal procurement as a viable market for their products and services. Congress and the Department have spent years encouraging that participation. Section 815 would make it less attractive by requiring companies to weigh the value of a defense contract against limits on their ability to return capital to investors. For businesses serving both government and private customers, those limits could discourage defense work even when they are well positioned to meet the Department's needs. Fewer bidders would mean less competition, higher prices for taxpayers, and slower access to the commercial innovation the Department has worked to attract.

Moreover, returning capital to shareholders does not come at the expense of investment in defense capabilities. Companies generally distribute surplus capital only after compensating employees and funding research, manufacturing, and other business priorities, while investors redeploy those funds into productive enterprises throughout the economy. Restricting these distributions would not, by itself, generate additional defense

1 *See* Joint Trade Association Letter Opposing Section 815 of S. 4784 (July 14, 2026), https://www.uschamber.com/assets/documents/260709_Joint-Trade_Oppose-NDAA-Sec-815_SASC_Final_7.14-1.pdf; *see also* Joint Trade Association Letter Opposing Amendment No. 634 to H.R. 8800 (June 26, 2026), https://www.businessroundtable.org/multi-association-house-letter-ndaa-amendment-634.

investment. Rather, it would make it more difficult for defense contractors to attract private capital by limiting returns to investors.

The consequences would not be limited to publicly traded defense manufacturers. Restrictions on capital distributions could effectively prevent partnerships and other pass-through entities from doing business with the Department by limiting their ability to compensate partners and owners. The dividend prohibition could also adversely affect employees participating in certain employee stock ownership plans (ESOPs) at publicly traded and privately held companies where dividends support repayment of ESOP loans or cash distributions to participants.

Harming Investors and U.S. Capital Markets

The effects would also reach the households whose savings help finance these companies. Sixty-two percent of U.S. adults own stock, whether directly or through 401(k) plans, IRAs, and mutual funds.[2] Dividends and share repurchases are common ways companies return capital to these investors, and more than 80 percent of companies in the S&P 500 currently pay a dividend.[3] For many retirees, dividends provide a meaningful and predictable source of income. Prohibiting those payments as a condition of a government contract would reduce the income available to shareholders and disrupt an important component of their financial security.

Moreover, at a time when policymakers are working to revitalize U.S. capital markets and promote IPOs, Section 815 could have the unintended effect of keeping high-growth companies from going public. Companies would have to weigh whether becoming publicly traded would unnecessarily limit their ability to make effective capital allocation decisions while serving the Department, creating another disincentive to access U.S. public markets.

Setting a Troubling Precedent for Corporate Governance

Beyond these economic consequences, Section 815 would change the role of federal procurement in corporate decision-making. Decisions about dividends, share repurchases, and other capital distributions have traditionally rested with boards of directors acting pursuant to their fiduciary duties. Conditioning those decisions on a government waiver would shift authority over ordinary capital allocation from corporate leadership to Washington. A waiver would not preserve that discretion; it would require companies to seek permission to undertake otherwise lawful distributions, adding uncertainty and compliance burdens.

The precedent would reach well past the particular financial practices addressed here. Federal procurement should focus on a company's ability to meet its contractual obligations. Once access to government contracts is used to control lawful business decisions unrelated to performance, future Congresses or administrations could adopt the same approach to pursue other policy objectives. As the earlier coalition letters emphasized, that framework would invite political intervention in routine business decisions well beyond defense procurement. Congress should avoid establishing such a mechanism in the NDAA.

We urge you to omit Section 815 and comparable restrictions on lawful capital distributions from the final FY 2027 NDAA. Doing so would support Congress's efforts to expand the defense industrial base while protecting American investors and taxpayers. Thank you for your consideration and your leadership in advancing this important legislation.

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[2] Gallup, "What Percentage of Americans Own Stock?" (May 5, 2025), https://news.gallup.com/poll/266807/percentage-americans-owns-stock.aspx.

[3] S&P Dow Jones Indices, press release (Jan. 7, 2026), https://press.spglobal.com/2026-01-07-S-P-Dow-Jones-Indices-Reports-U-S-Common-Indicated-Dividend-Payments-Increase-of-13-1-Billion-in-Q4-2025-and-46-4-Billion-for-2025 (reporting that 81.3% of S&P 500 constituents paid dividends).

Sincerely,

Advanced Medical Technology Association
Aerospace Industries Association
Airlines for America
American Car Rental Association
American Council of Engineering Companies
American Council for Capital Formation
American Hotel & Lodging Association
American Institute of CPAs
American Petroleum Institute
American Trucking Associations
American Property Casualty Insurance Association
Associated General Contractors of America
Association of Equipment Manufacturers
Association of Military Banks of America
Business Roundtable
Business Software Alliance
Center for Procurement Advocacy
Coalition for Common Sense in Government Procurement
CHRO Association
CTIA
Equity Markets Association
GPA Midstream Association
Industrial Fasteners Institute
Information Technology Industry Council
International Warehouse Logistics Association
Investment Company Institute
Nareit
National Association of Manufacturers
National Association of Wholesaler-Distributors
National Home Delivery Association
Professional Services Council
Securities Industry and Financial Markets Association
Society for Corporate Governance
TechNet
Transportation Intermediaries Association
Truck Renting and Leasing Association
USTelecom — The Broadband Association
U.S. Chamber of Commerce

cc: The Honorable Mike Johnson, Speaker, U.S. House of Representatives
The Honorable Hakeem Jeffries, Minority Leader, U.S. House of Representatives
The Honorable John Thune, Majority Leader, United States Senate
The Honorable Chuck Schumer, Minority Leader, United States Senate