



A Smart and Easy Way to Create Over 160,000 Jobs: Increase the R&D Tax Credit

January 26, 2010

In a new report, ITIF makes a compelling case for creating over 162,000 jobs in the short run by simply expanding a tax credit that has been working well for almost 30 years.

In a report titled, "[Create Jobs by Expanding the R&D Tax Credit](#)," ITIF President Robert D. Atkinson analyzes how expanding the Alternative Simplified tax Credit (ASC) for research and development from 14 to 20 percent would not only spur job creation at a time when this is desperately needed but also boost the country's long-term innovation capacity.

In particular, the report models how expanding the ASC from 12 to 20 percent would create a number of critical economic benefits, including:

- 162,000 jobs in the near term
- A \$90 billion increase in the GDP as the nation struggles through economic recovery
- 3,850 new American patents as nations compete for dominance in tomorrow's technologies
- \$17 billion in new tax revenues as Congress and Administration face daunting budget deficits

The report also contrasts U.S. policy to incentivize private sector investment in R&D with that of other leading industrial nations.

- The U.S. is 17th among OECD countries in terms of R&D tax credit generosity.
- Increasing the current credit to 20 percent would move the U.S. up to just 10th place.

The United States was a pioneer in using the R&D credit. Companies, workers and consumers will benefit from expanding a policy that has been shown by a wide range of scholarly research to work. Congress and the Administration should embrace this proposal as an element of sustained economic recovery.