

November 17, 2014

Dear Senator/Representative,

The R&D Credit Coalition is a group of trade and professional associations along with small, medium and large companies that collectively represent millions of American workers engaged in U.S.-based research throughout major sectors of the U.S. economy. The Coalition strongly supports an improved and permanent Research and Development (“R&D”) tax credit and has endorsed H.R. 4438, introduced by Rep. Brady (R-TX) and Rep. Larson (D-CT) and passed by the House of Representatives on a strong bipartisan vote, to make the credit permanent and increase the Alternative Simplified Credit (ASC) to 20%. In addition, we appreciate the Senate Finance Committee including a 2-year extension of the credit as part of the EXPIRE Act.

On December 31, 2013 the R&D tax credit expired. The loss of this vital credit will negatively impact investment in important research and economic growth. We urge you to support enacting legislation this year to seamlessly extend the credit and make it permanent to enhance U.S. innovation, competitiveness and job creation.

Although the make-up of the R&D Credit Coalition is diverse, representing major sectors of the U.S. economy including aerospace, agriculture, biotechnology, chemicals, electronics, energy, information technology, manufacturing, medical technology, pharmaceuticals, software, and telecommunications, the member companies share a major characteristic: they collectively spend billions of dollars annually on research and development, which provides high-wage and highly-skilled jobs in the United States.

The R&D credit is a proven *jobs* credit and has a significant impact on private R&D spending and the creation of research jobs. In fact, 70 percent of credit dollars are used to pay the salaries of high skilled R&D workers in the U.S. A study by the Information Technology & Innovation Foundation found that increasing the ASC from 14 percent to 20 percent would create 162,000 jobs and increase GDP by \$66 billion.¹ A recent study by the Center for American Progress concludes that, “the credit is effective in the sense that each dollar of foregone tax revenue causes businesses to invest at least an additional dollar in R&D.”² In addition, according to a recent study by Ernst & Young, “In total, the overall policy – the existing credit plus strengthening the alternative simplified credit – is estimated to increase annual private research spending by \$15 billion in the short-term and \$33 billion in the long-term.”³ The Ernst & Young study also stated that, “the credit and its enhancement is estimated to increase research-related employment by 140,000 in the short term and 300,000 in the long-term.”

¹ Robert D. Atkinson, “Create Jobs by Expanding the R&D Tax Credit” (technical report, ITIF, 2010), <http://www.itif.org/files/2010-01-26-RandD.pdf>.

² Center for American Progress, “The Corporate R&D Tax Credit and U.S. Innovation and Competitiveness,” by Laura Tyson and Greg Linden, January 2012, p.2.

³ Ernst & Young, “The R&D Credit: An effective policy for promoting research spending,” September 2011, p.11.

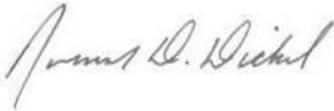
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There is significant global competition for these R&D jobs, however, and companies have an array of choices on where to locate such jobs and where to invest research dollars—here in the U.S. or abroad. In fact, many other countries offer *both* lower corporate tax rates and more attractive R&D incentives. While the United States has offered an “on-again, off-again” incentive for more than 30 years, the number of OECD countries offering some sort of incentive for research has grown dramatically in recent years as countries attempt to become leaders in research. The U.S. share of global R&D fell from 39 percent in 1999 to 33 percent in 2007.⁴ The U.S. tax system must evolve in order to provide globally competitive R&D incentives that can be counted on by businesses. The certainty of a strengthened, permanent credit is critical to maintaining U.S. leadership in advanced research and encouraging companies to spend R&D funds and create jobs in the U.S.

We urge Congress to promptly seamlessly extend the research and development tax credit and enact legislation to strengthen and make the credit permanent. A robust and permanent research and development tax credit is critical to competitiveness, innovation and U.S. jobs.

Sincerely,

A handwritten signature in cursive script that reads "Ronald D. Dickel".

Ronald D. Dickel
Intel Corporation
Chair, R&D Credit Coalition

⁴ OECD, Ministerial Report on the OECD Innovation Strategy, May 2010, p. 8.