R&D Credit Coalition
Invest in America's Future
www.investinamericasfuture.org

July 19, 2013

Dear Senator,

The R&D Credit Coalition is a group of more than 100 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 Tax Credit and ask that you communicate your support for the credit to Senate Finance Committee Chairman Baucus and Ranking Member Hatch as they solicit comments on tax reform through the process outlined in their June 27, 2013 Dear Colleague letter.

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 2012 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.[1]" In addition, according to a 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." 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."[2]

There is significant global competition for these R&D jobs. Companies have 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.[3] The certainty of a strengthened, permanent U.S. R&D 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.

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[1] 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.
[2] Ernst & Young, "The R&D Credit: An effective policy for promoting research spending," September 2011, p.11.
[3] OECD, Ministerial Report on the OECD Innovation Strategy, May 2010, p. 8.

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Importantly, proposals to expand the R&D credit and make it permanent have a long history of bipartisan support in Congress. In fact, Chairman Baucus and Ranking Member Hatch are long-time supporters of a strengthened and permanent R&D credit and introduced legislation in the 112th Congress (S. 1577) to accomplish these goals.

It is vitally important that a strengthened and permanent research and development incentive is included in whatever fundamental tax reform measure is considered by Congress. A robust and permanent research and development tax credit is critical to competitiveness, innovation and U.S. jobs, and we urge you to voice your support.

Sincerely,

Ronald D. Dickel
Vice President, Global Tax and Trade
Intel Corporation
Chair, R&D Credit Coalition