



Opinion | America is at risk of losing its global edge in innovation and R&D

Upcoming tax code change would raise R&D investment costs and put tens of thousands out of work

By [Sharon Heck](#)

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President Joe Biden addressed the importance of R&D [in an executive order](#) earlier this year by recognizing “the need for research and development capacity to sustain leadership in the development of critical goods.” He further acknowledged the critical role of R&D to our economy and infrastructure in his American Jobs Plan.

In the coming weeks, Senate Majority Leader [Charles E. Schumer](#) is looking to bring to the Senate floor legislation he is spearheading with Sen. [Todd Young](#), R-Ind., that is “designed to bolster American competitiveness and counter the growing economic threats we face across the globe, especially from the Chinese Communist Party.”

We applaud President Biden’s goal of enhancing America’s R&D investment and the Senate’s bipartisan effort to ensure America meets the competitive challenge posed by China.

At the same time however, policymakers should do no harm when it comes to innovation, jobs and competitiveness. In less than eight months, the U.S. will become a global outlier in the tax treatment of R&D expenses. For the past 67 years, companies have been able to immediately deduct such expenses. However, starting next year, the tax code will require these expenses to be deducted over a period of years.

This harmful tax change would significantly increase the cost of R&D investment in the U.S. and would occur at a time when the country already ranks toward the bottom in terms of R&D tax incentives. If it’s allowed to go into effect, the U.S. would become one of only two developed countries with such a policy, which, according to a recent Ernst and Young study, would lead to the loss of tens of thousands of well-paying American R&D jobs. It would also undermine current congressional efforts to better address the competitive challenges with China.

Fortunately, bipartisan policymakers, led by Reps. John Larson, D-Conn., and Ron Estes, R-Kan., and Sens. Maggie Hassan, D-N.H., and Todd Young, R-Ind., recognize the importance of the tax code continuing to support R&D and have introduced the American Innovation and Jobs Act to repeal this tax change.

Passing this legislation into law this year would send a powerful signal to the rest of the world that America is fully committed to maintaining its global leadership in innovation.

Sharon Heck is the corporate vice president of finance and the chief tax officer at Intel and chair of the R&D Coalition. The coalition is a partnership of American companies and business associations committed to advancing public policies that encourage investment in U.S.-based research and innovation.

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