



Software Finance & Tax Executives Council
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*For Immediate Release
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SOFTWARE INDUSTRY URGES CONGRESS TO SEAMLESSLY EXTEND AND STRENGTHEN THE EXPIRED RESEARCH TAX CREDIT

The U.S. House and Senate each passed tax reconciliation bills in 2005 that included several identical provisions to strengthen and seamlessly extend the Research and Development (R&D) tax credit through 2006. Unfortunately, these provisions, which would encourage the retention of R&D activity in the United States, were not enacted before the R&D tax credit expired on December 31, 2005.

Today, the US software industry requests that Congress quickly negotiate a conference agreement and pass tax legislation including the identical R & D tax credit provisions. The R & D tax credit (enacted in 1981 and extended eleven times since then) provides a proven and critical incentive for US companies to locate and retain high-skill, high-paying R & D jobs in the US, which is especially important at a time when other countries are offering their own tax incentives for firms to open new R & D centers abroad.

According to Mark Nebergall, President of the Software Finance and Tax Executives Council (SoFTEC), "The US and its trading partners compete with one another for these valued R & D jobs. The R & D credit is a proven and effective incentive that encourages companies to locate new R & D jobs in the U.S. rather than offshore. Congress needs to pass a final bill that contains these critical provisions. The fact that both tax reconciliation bills contain several identical R & D tax credit provisions is testament to their strong bipartisan support.

"The crux of the R & D credit is U.S. jobs," Nebergall continued. "Companies don't get the R & D tax credit for research done outside the U.S.; the credit is based on incremental increases in R & D spending and is available only for research performed in the U.S." The R&D credit is central to job creation: over 75% of credit-eligible expenditures are for wages paid to U.S. workers. "The R&D credit helps the U.S. compete with the myriad tax and economic incentives provided by our foreign trading partners."

SoFTEC is a trade association providing software industry focused public policy advocacy in the areas of tax, finance and accounting. All SoFTEC's members sell their products globally, however they conduct the great majority of their R & D in the US.