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New England Council Calls on Congress to Address Research and Development Tax Credit

Citing the importance of innovation to the region's economy, The New England Council today urged Congress to extend the federal Research & Development tax credit, which expired at the end of 2005. The program provides a 20 percent credit for qualified R&D expenditures.

"Thousands of large and small companies depend on the tax credit being in place to provide incentives to pursue research and development. This is particularly important in New England, where our leading research institutions and companies generate cutting edge ideas and technologies, maintaining the region as a leader in innovation," said James T. Brett, President and CEO, The New England Council. "An extension for this program is needed. The program also needs to be expanded, with new criteria making more companies eligible for the tax credit."

If extended, it will mark the 12th time Congress has given the federal Research and Development tax credit a short-term extension since it was first enacted in 1981.

"The Council not only supports the extension but also believes that making this tax credit permanent would stimulate even more growth. Typical R&D projects take several years to complete and require long-range planning. The ability to calculate future funding levels based on a stable, permanent tax credit would be an incentive for companies to invest more in R&D," Brett said.

R&D is fueled by public and private funding. In New England, a majority of the R&D is financed by industry, according to the American Association for the Advancement of Science (AAAS).

"Investing in R&D leads to technological advancement. The products created from R&D help grow the economy," Brett said.

The innovation sector requires a highly-skilled workforce and R&D spending creates good jobs. Numerous studies on the nation's economic development point to the importance of the innovation sector in fueling sustained economic growth and ensuring the country's competitiveness in the global marketplace, he added.

New England, which represents only five percent of the nation's population, performs about eight percent of total U.S. R&D.

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The New England Council is the nation's oldest regional business organization.