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Detroit Regional Chamber Urges Renewed R&D Tax Credit Extension

Detroit -- The Detroit Regional Chamber today urged support of federal legislation that would extend the Research and Development Tax Credit, which is set to expire on June 30, 2004. The credit, available only to U.S. firms, helps drive innovation and productivity, essential elements of economic growth.

In 2000, nearly 16,000 companies nationwide claimed the R&D credit. Michigan was one of 15 states home to more than 1,000 credit recipients, with a large number of these from the manufacturing sector. An estimated 25 percent of those companies benefiting from the credit are small businesses with assets less than \$1 million.

“We need to extend and strengthen the credit,” said Richard E. Blouse Jr., CCE, Chamber president & CEO. “The credit will ensure that firms of all sizes will continue to invest their R&D dollars here in the U.S.—here in southeast Michigan.”

Currently, corporate taxpayers receive a 20 percent tax credit for qualified R&D expenditures in excess of a calculated base amount. The credit applies to qualified research expenditures, which include in-house payments for salaries and wages, supplies and 65 percent of contract payments. Qualified research must be technological in nature and relate to the development of a new or improved business component. Improvements must be functional, rather than cosmetic or stylistic.

Since its original 1981 enactment, Congress has extended the tax credit eight times. “The credit is a powerful and effective incentive for firms to increase research spending,” noted Blouse. “During the last decade, technological innovations have accounted for more than one third of U.S. economic growth and are critical to sustained future growth.”

Pending legislation would extend the credit retroactively, assuming that it expires before Congress comes to agreement on two different bills that contain the provision.

For more information, contact Amy Hennes at (313) 596-0367 or e-mail: ahennes@detroitchamber.com.

The Detroit Regional Chamber is the leading business organization in the region and the largest chamber of commerce in the country. The Chamber's mission – to power the economy for Southeast Michigan – is carried out through business attraction efforts, public policy advocacy, strategic partnerships and quality products and services for members. Improving our public transit system is part of the Chamber's strategic goal of creating powerful change to enhance our region.