

FOR IMMEDIATE RELEASE
Thursday, May 03, 2007

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CALIFORNIA HEALTHCARE INSTITUTE APPLAUDS INTRODUCTION OF R&D TAX CREDIT

LA JOLLA, California, May 3, 2007 – The California Healthcare Institute (CHI) commends the action of members of the House Ways and Means Committee for their introduction of legislation that will strengthen and make permanent the federal research and development (R&D) tax credit. This credit, which has faced uncertainty since it was created, provides companies with an important incentive to make high-risk investments. The results are innovative life saving therapies and medical technologies, which fuel job creation and economic growth. The bipartisan measure, introduced by Representatives Sander Levin (D-MI) and Dave Camp (R-MI), would raise the rate for the Alternative Simplified Credit from 12 to 20 percent, while eliminating the Alternative Incremental Research Credit.

California is the worldwide leader in biomedical research and development, with over 2,700 biomedical companies and 100 public and private research institutions advancing scientific knowledge and developing new treatments for serious disorders such as cancer, diabetes, HIV/AIDS as well as cardiovascular, respiratory and infectious diseases. To succeed, more than any other industry, biomedical companies face extraordinary financial challenges. Novel drugs, for example, typically require investments of \$1 billion over 10 to 15 years while products progress from the lab through the stages of clinical testing required by the Food and Drug Administration (FDA), before they are available to patients in need.

On average, California's biomedical community invests four times more on R&D than any other high-tech industry. In 2005, total reported private investment in R&D from California biomedical firms was \$26 billion, with the average company devoting 42 percent of its revenues back into R&D. Owing to the long product development process for pharmaceuticals and medical technologies, companies must plan investment decisions years in advance. The federal R&D tax credit encourages outlays for biomedical innovation by creating incentives for research that companies could not otherwise afford.

"The uncertainty surrounding the future of the credit and the unpredictability of year-to-year extensions has made long-term planning difficult," David L. Gollaher, Ph.D., CHI president and chief executive officer. "We commend this decision by members of Congress to make the R&D

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Credit permanent. This will provide promising life sciences companies the incentives they need to make major investments in the U.S. at a time when foreign countries are aggressively recruiting high-tech industries to move offshore.”

CHI – California Healthcare Institute (www.chi.org) is a non-profit public policy research organization for California’s biomedical R&D industry. CHI represents more than 250 leading medical device, biotechnology, diagnostics and pharmaceutical companies and public and private academic biomedical research organizations. CHI’s mission is to advance responsible public policies that foster medical innovation and promote scientific discovery.

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