

## **RESEARCH AND DEVELOPMENT TAX CREDIT**

*Imperative that Congress Extends and Strengthens the R&D Tax Credit to Spur Economic Recovery*

***The R&D Credit will expire December 31, 2009. We urge Congress to pass a multi-year extension of a strengthened credit.***

- ***A multi-year extension of a strengthened R&D tax credit should be enacted in the next appropriate legislative vehicle:***
  - *The credit is available only for certain qualified research performed in the United States. The credit is really a “jobs” provision since approximately 80% of the benefits of the credit are attributable to salaries of workers performing U.S. based research.*
  - *The credit is limited to U.S. based research – this will stimulate short-term business investment decisions with long-term benefits to the U.S. economy.*
  - *Continued growth of the U.S. economy is closely tied to the ability of our companies to make a sustained commitment to long-term, high-cost research. The R&D tax credit is a positive stimulus to U.S. investment, innovation, wage growth, consumption, and exports -- all contributing to a stronger economy and a higher standard of living for American workers.*
  - *The R&D Credit Coalition fully supports H.R. 422 – legislation introduced by Reps. Kendrick Meek (D-FL) and Kevin Brady (R-TX) - which extends the traditional credit through 2010, increases the Alternative Simplified Credit (“ASC”) from 14 percent to 20 percent, and permanently extends the ASC.*
  
- ❖ It is imperative that Congress acts to:
  - **Strengthen the simplified credit** by extending and increasing the new alternative simplified credit (“ASC”) rate from 14% to 20%. This would provide:
    - An increased incentive to locate more R&D jobs in the United States; and
    - A globally competitive credit for all research-intensive companies.
  - **Extend the R&D Credit.** The credit is scheduled to expire shortly (and has frequently lapsed). Businesses are unable to factor the full benefits of the R&D credit into their research budgets. A multi-year extension would:
    - Help maintain and create high-paying U.S. jobs;
    - Increase the general effectiveness of the credit;
    - Allow for better quality corporate planning; and
    - Prevent financial reporting issues caused by temporary lapses.
  
- ❖ The R&D tax credit serves as a crucial driver of R&D investment location decisions. In an increasingly competitive global environment – with foreign governments actively recruiting American companies to base research operations abroad – the credit helps make the United States a more attractive location to base R&D.

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