

Contact: Monica McGuire (NAM)  
Executive Secretary, R&D Credit Coalition  
(202) 637-3076, [mmcguire@nam.org](mailto:mmcguire@nam.org)

**New Report Confirms R&D Credit Boosts Jobs & Economy**  
*State-by-State Study Shows 70% of R&D Credit Goes Directly to Fund High-Skilled Job  
Growth; Validates Clear Need for Congress to Restore Expired Credit Now*

WASHINGTON, DC – June 3, 2008 – The Research & Experimentation (R&D) Credit, allowed to expire by the U.S. Congress on December 31, 2007, has spurred more than \$ 6 billion in innovation-producing investments that have funded wages for high-skilled employees across more than 17,700 small and large companies in all 50 states, according to a new report by Ernst & Young LLP and released today by the R&D Credit Coalition.

In 2005, more than 70 percent of the qualifying research expenditures under the R&D Credit went to paying U.S. employee wages and salaries according to the report titled, *Supporting Innovation and Economic Growth*.

“The positive economic impact of the R&D Credit is wide and vast. The fact is that 70 percent of the benefit of this credit goes directly to pay American workers developing the products and markets of tomorrow,” said Monica McGuire, executive secretary of the R&D Credit Coalition. “For 25 years, the R&D Credit has helped to foster the domestic growth of highly-skilled jobs. The expiration of this key tool for American job growth is universally felt.”

She added, "In this time of economic uncertainty, Congress should act now to seamlessly strengthen and restore the R&D Credit. Simply put, without this important incentive, our nation risks exporting high-skilled jobs to a wide range of countries all too willing to make up for our lack of R&D investment incentives. Since 1981, the R&D Credit has served as an effective tool to spur qualified research expenditures."

While the state of California accounted for the largest gross volume of R&D expenditures, the impact of R&D investment is significant across many manufacturing states. Some top R&D states include Texas, Washington, Massachusetts, Connecticut and Rhode Island.

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1331 Pennsylvania Avenue, NW • Washington, DC 20004-1790 • (202) 637-3076

Other findings in the report include:

- The size of companies claiming the R&D Credit in 2005 were roughly equally divided into fourths with:
  - 29 percent of firms with \$1 million in assets or less
  - 25 percent with assets of \$1 million to \$5 million
  - 25 percent with assets of \$5 million to \$25 million
  - 21 percent with assets of \$25 million or more.
- 30 percent of R&D Credit claims went to companies with fewer than 1,000 employees.
- R&D Credit claims increased by 34 percent from 2003 to 2005.
- 16 percent increase in the number of companies claiming the R&D Credit from 2003 to 2005.
- On a per capita basis, Connecticut, Delaware, Massachusetts, Michigan, Washington and New Jersey reported the most R&D activity.
- States with the most companies reporting R&D activity include California, Texas, Massachusetts, Florida, Pennsylvania, New York and Michigan.

To view the new Study, [http://www.investinamericasfuture.org/2008\\_study/](http://www.investinamericasfuture.org/2008_study/)

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