



AeA Urges Congress to Extend and Strengthen the R&D Tax Credit During Lame Duck Session

Washington, DC (November 14, 2006) – This morning, AeA called upon Congress to seamlessly extend a strengthened Research and Development (R&D) tax credit. The credit expired on December 31, 2005, and Congress must act on this crucial piece of unfinished business before adjourning.

“While other countries are aggressively courting R&D with lucrative tax benefits, the U.S. has allowed the R&D tax credit to expire for nearly a year,” said William T. Archey, President and CEO, AeA. “Congress must add some predictability to the system to help the United States maintain its lead in innovation. R&D creates wealth, intellectual property, and high paying jobs in the United States. With the strong bipartisan support for the credit, we urge Congress to work together and act on this critical piece of unfinished business.”

Since the creation of the R&D tax credit in 1981, domestic spending on research and development has proportionally shifted away from government and toward private industry. But the lack of a consistent U.S. R&D tax credit makes foreign incentives for R&D much more attractive to companies. When combining this expiration with the constant temporary renewals, companies in the United States are limited in their ability to plan for R&D projects. As a result, some projects do not get the funding they deserve, or they are moved overseas.

Since expiration of the credit, companies have had to report financial results and offer guidance about future performance assuming that the credit will not be seamlessly restored. Even more troubling is the fact that the credit's lapse serves as a tax on innovative activities.

In September, AeA released the 10th edition of its ongoing Competitiveness Series. Entitled Strengthen the R&D Tax Credit and Make It Permanent, the report analyzes why the currently-expired U.S. R&D Tax Credit is so critical to American innovation and competitiveness.

This report, as well as all installments of the AeA Competitiveness Series, can be downloaded for free at: www.aeanet.org/cs.

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About AeA

AeA, the nation's largest technology trade association with 2,500 member companies representing all segments of the high-tech industry, is dedicated solely to helping our members' top line and bottom line. We do this in partnership with our small, medium, and large member companies by lobbying governments at the state, federal, and international levels, providing access to capital and business opportunities, and offering select business services and networking programs. For more information, please visit <http://www.aeanet.org>.

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