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RESEARCH AND DEVELOPMENT TAX CREDIT SHOULD BE INCLUDED IN ECONOMIC RECOVERY LEGISLATION

*Extending and Strengthening the Credit:
Critical to Economic Recovery and Creating New Jobs*

We urge Congress and the incoming Obama administration to include a multi-year extension of a strengthened research credit in the Economic Recovery and Reinvestment package.

- *A multi-year extension of a strengthened R&D tax credit should be included in the Economic Recovery package because:*
 - The credit is really a “jobs” provision since more than 70% of the benefits of the credit are attributable to salaries of U.S. workers performing U.S.-based research.
 - A strengthened research credit will stimulate short-term business investments creating or saving high-wage U.S. research jobs with long-term benefits to the U.S. economy.
 - The Economic Recovery package must focus on enhancing the nation’s infrastructure. Strengthening the nation’s “intellectual infrastructure” is critical to long-term economic growth.
 - In the current economic downturn, many companies may curtail research spending. Extending a strengthened R&D credit will incent companies to continue to invest in research projects and will create or save thousands of high-paying U.S. jobs.
 - After 10 years of consecutive increases, some economists are projecting a decline in U.S. investment in R&D in 2009.
 - Some studies of the R&D credit have found that every dollar of tax benefit stimulates as much as one dollar of additional private R&D spending in the short term and an additional two dollars in the long-term.

- *Long-term extension of a strengthened R&D credit in the Economic Recovery package would:*
 - Bolster the U.S. economy over the long-term. We urge Congress and the incoming Obama Administration to extend and increase the alternative simplified credit (“ASC”) to a 20% rate. This would provide:
 - An increased incentive to locate additional R&D in the United States; and
 - A more globally competitive credit for all research-intensive companies.
 - Congress and the incoming administration should also extend the traditional credit. Such an extension would:
 - Retain a powerful incentive for many companies; and
 - Provide continuity for long-time users of this credit.

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