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## **COALITION URGES CONGRESS TO RESTORE A STRENGTHENED R&D TAX CREDIT**

WASHINGTON, D.C., December 29, 2005 – The research and development (R&D) credit will expire on December 31, once again withdrawing critical support for businesses to invest in long-term technology and innovation activities in the United States. A one-year extension of a strengthened R&D credit was included as part of the Senate-passed Tax Relief Act of 2005, and the House-passed Tax Relief Extension Act of 2005, and it is imperative that this important provision be enacted retroactively.

“The Coalition was encouraged that both the House and the Senate demonstrated strong support for extending the credit and for making changes in the law that will help make the credit a more powerful incentive to undertake long-term, high-risk R&D projects in the United States. We look forward to working with them to ensure that those provisions are enacted quickly and seamlessly to minimize the adverse financial consequences that result from the credit’s expiration,” said Coalition Chairman Bill Sample.

“It is important to remember that companies must comply with the law as it is and cannot anticipate a future credit extension when estimating future R&D costs. Once the credit expires we could see the adverse financial impact almost immediately. Research funding and hiring decisions will be affected and companies will be required to calculate their financial statement effective tax rates for periods after December 31, 2005 without any benefit from the credit. Increases in their effective tax rates translate into lower reported earnings,” said Keith Smith, co-chair of the Coalition’s Government Affairs Committee.

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