



Thurs., May 3, 2007

EIA Backs House Bill to Extend R&D Tax Credit

Levin-Camp Measure Would Make Credit More Effective for All

ARLINGTON, Va. – Bipartisan legislation to make the research and development (R&D) tax credit more effective and permanent was introduced in the U.S. House of Representatives today and won the immediate endorsement of the Electronic Industries Alliance (EIA).

Authored by senior House Ways and Means Committee members Rep. Sander Levin, D-Mich., and Rep. Dave Camp, R-Mich., the bill embodies key EIA priorities, including a stronger, permanent R&D tax credit of commensurate rate for all companies; a 20 percent simplified credit; and an extension of the traditional credit. The bill was introduced with the backing of 28 House Ways and Means Committee members as original cosponsors, indicating strong, bipartisan support for the measure. The current credit is due to expire on Dec. 31.

“Research is the lifeblood of innovation,” said Matt Flanigan, EIA’s interim president and CEO. “Making this credit more effective for a broader spectrum of technology drivers is one of the most vital and fundamental actions the Congress can take to help U.S. industry innovate, compete, and support American jobs on our soil.”

“We are encouraged by the Levin-Camp bill - they are promoting the right thing here. And we urge the full House to pass their bill and then come together with the Senate to promptly get this done,” Flanigan added.

In 2006, EIA advocated and Congress enacted an elective Alternative Simplified Credit (ASC) to help more companies that invest in R&D activities utilize the credit. The simplified credit currently equals 12 percent of a company’s excess current-year qualified research spending over 50 percent of the company’s average research spending for the prior three years. Increasing the rate for the simplified credit this year from 12 percent to 20 percent would ensure that all companies benefit at a commensurate rate.

Flanigan noted that long-term stability, and ideally permanence, is particularly critical to maximize the impact of the R&D credit. Any uncertainty regarding the availability of the credit can lead U.S. companies to reduce investments in research. “Allowing this credit to expire, or even stall, deals a destructive blow to U.S. investment and serves to highlight

the enhanced incentives available in foreign markets to global competitors,” Flanigan said.

The R&D credit has been a top EIA priority for years. EIA serves on the steering committee of the R&D Credit Coalition and the credit is a critical part of the Alliance’s competitiveness agenda, outlined in the 2004 policy playbook, *The Technology Industry at an Innovation Crossroads*.

EIA, headquartered in Arlington, Va., comprises nearly 1,300 member companies whose products and services range from the smallest electronic components to the most complex systems used by defense, space and industry, including the full range of consumer electronic products. The Alliance is composed of four sector organizations: the Electronic Components, Assemblies and Materials Association; the Government Electronics and Information Technology Association; the JEDEC Solid State Technology Association; and the Telecommunications Industry Association.

#