



For Immediate Release

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**Expiration of R&D Tax Credit a Blow to Tech Industry;
EIA Urges Swift Congressional Action in '06**

Arlington, Va., Dec. 29, 2005 – In response to the expiration this weekend of the innovation-boosting federal research and development (R&D) tax credit, Electronic Industries Alliance (EIA) President and CEO Dave McCurdy issued the following statement:

“EIA and the technology community are deeply disappointed that Congress has allowed the R&D tax credit to expire this year and postponed the opportunity to expand the credit in a way that will enhance U.S. innovation. Over the years since it was first enacted in 1981, the credit has worked to incentivize high-value research and experimentation in the U.S., creating highly paid jobs for American workers and strengthening our innovation economy. The expiration of the tax credit on Dec. 31 is a tragedy for the high-tech industry, increasing the cost of doing qualifying R&D in the U.S. for many companies by as much as 7.5%. This could lead to potential layoffs for highly skilled workers and a shift in R&D to other countries with more generous tax incentives. Allowing the credit to lapse, even for a short time, will lead to uncertainty regarding the availability of the credit, cause companies to discount its long-term value and reduce the credit's benefit to the economy.

"We strongly urge Congress to make retroactive reenactment and enhancement of the credit - as included in the recently passed House and Senate tax reconciliation bills - an early priority when it reconvenes next year. A lapse in the credit, however temporary, has an immediate impact on high-tech companies' long-term R&D strategies, their financial reporting and their budget and employment plans. However, if Congress reinstates and strengthens the credit by passing into law important enhancements that EIA has long supported, this tax incentive will provide companies with a strong reason to undertake and increase domestic research work.

"Data show that the growth in foreign-based R&D spending now outpaces that in U.S.-based spending, so an R&D credit that provides incentive to as many innovative companies as possible is more crucial than ever. We urge Congress to address this unfinished business quickly and restore innovation certainty in the form of an improved R&D tax credit as soon as possible.”

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About EIA: The Electronic Industries Alliance (EIA) is the leading advocate in Washington, D.C., for the U.S. high-tech industry. The Alliance, which traces its origins to the Radio Manufacturers Association (chartered in 1924), is a partnership of electronic and high-tech associations and companies whose mission is to promote the market development and competitiveness of the \$400 billion U.S. high-tech and electronics industries through domestic and international policy efforts. EIA's corporate members - nearly 1,300 - include the full spectrum of U.S. manufacturers. These members provide products and services ranging from microscopic electronic components to state-of-the-art defense, space and industry high-tech systems, as well as the full range of telecommunications and consumer electronics products. Headquartered in Arlington, Va., the Alliance is made up of the Electronic Components, Assemblies & Materials Association; the Government Electronics & Information Technology Association; JEDEC; the Telecommunications Industry Association; and leading consumer electronics companies that participate in EIA's Environmental Issues Council. EIA is also heavily involved in cyber security issues, through its Internet Security Alliance, and education issues, through the National Science & Technology Education Partnership. For more information, please visit www.eia.org.