R&D Credit Coalition
Invest in America's Future

May 18, 2015

Dear Representative,

The R&D Credit Coalition is a group of trade and professional associations along with small, medium and large companies that collectively represent millions of American workers engaged in U.S.-based research throughout major sectors of the U.S. economy.

The Coalition strongly supports an improved and permanent Research and Development ("R&D") tax credit and asks that you vote to support H.R. 880, the American Research and Competitiveness Act of 2015, to make the credit permanent and increase the Alternative Simplified Credit to 20%.

On December 31, 2014 the R&D tax credit expired. The loss of this vital credit is negatively impacting investment in important research and economic growth. We urge you to support a retroactive extension of the credit and make it permanent to enhance U.S. innovation, competiveness and job creation.

Although the make-up of the R&D Credit Coalition is diverse, representing major sectors of the U.S. economy including aerospace, agriculture, biotechnology, chemicals, electronics, energy, information technology, manufacturing, medical technology, pharmaceuticals, software, and telecommunications, the member companies share a major characteristic: they collectively spend billions of dollars annually on research and development, which provides high-wage and highly-skilled jobs in the United States.

The R&D credit is a proven *jobs* credit and has a significant impact on private R&D spending and the creation of research jobs. In fact, 70 percent of credit dollars are used to pay the salaries of high skilled R&D workers in the U.S. According to a study by Ernst & Young, "In total, the overall policy – the existing credit plus strengthening the alternative simplified credit – is estimated to increase annual private research spending by $15 billion in the short-term and $33 billion in the long-term." [1] The Ernst & Young study also stated that, "the credit and its enhancement is estimated to increase research-related employment by 140,000 in the short term and 300,000 in the long-term." In addition, another study by the Center for American Progress concludes that, "the credit is effective in the sense that each dollar of foregone tax revenue causes businesses to invest at least an additional dollar in R&D.[2]"

There is significant global competition for these R&D jobs, however, and companies have an array of choices on where to locate such jobs and where to invest research dollars—here in the U.S. or abroad. In fact, many other countries offer *both* lower corporate tax rates and more attractive R&D incentives. While the United States has offered an "on-again, off-again" incentive for more than 30 years, the number of OECD countries

[1] Ernst & Young, "The R&D Credit: An effective policy for promoting research spending," September 2011, p.11.
[2] Center for American Progress, "The Corporate R&D Tax Credit and U.S. Innovation and Competitiveness," by Laura Tyson and Greg Linden, January 2012, p.2.

offering some sort of incentive for research has grown dramatically in recent years as countries attempt to become leaders in research. The U.S. share of global R&D fell from 39 percent in 1999 to 33 percent in 2007.[3] The U.S. tax system must evolve in order to provide globally competitive R&D incentives that can be counted on by businesses. The certainty of a strengthened, permanent credit is critical to maintaining U.S. leadership in advanced research and encouraging companies to spend R&D funds and create jobs in the U.S.

We urge Congress to promptly extend the research and development tax credit retroactively and enact H.R. 880 to strengthen and make permanent the research and development tax credit. A robust and permanent research and development tax credit is critical to competitiveness, innovation and U.S. jobs.

Sincerely,

Ronald D. Dickel
Intel Corporation
Chair, R&D Credit Coalition

[3] OECD, Ministerial Report on the OECD Innovation Strategy, May 2010, p. 8.