



June 21, 2006

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Frist and Minority Leader Reid:

On behalf of AeA (American Electronics Association), the nation's largest high-tech trade association, I am writing to urge you to enact a seamless extension through 2007 of a strengthened research and development (R&D) tax credit as soon as possible.

The R&D tax credit expired for the twelfth time on December 31, 2005, which means that future U.S. based research projects, as well as research projects already in the pipeline, have become more expensive. In addition, the lack of an extension to date has resulted in companies being unable to take the credit into account for purposes of calculating their estimated tax payments and for financial statement purposes.

Since the inception of the R&D credit in 1981, investments in technology and innovation have spurred economic growth and contributed to the high standard of living in the United States. A seamless extension of the R&D tax credit would help to keep R&D activities in the United States, and the enhancements originally included in the House and Senate tax reconciliation bills would strengthen significantly the incentive value of the R&D credit for many companies.

The R&D tax credit plays a vital role in ensuring U.S. competitiveness in global markets. It is critical that Congress acts quickly to enact a seamless extension of a strengthened credit.

Sincerely,

William T. Archey
President and CEO