



STATE OF ARIZONA

JANET NAPOLITANO
GOVERNOR

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December 5, 2006

The Honorable William H. Frist
Majority Leader
United States Senate
509 Hart Senate Office Building
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
528 Hart Senate Office Building
Washington, DC 20510

The Honorable J. Dennis Hastert
United States House of Representatives
235 Cannon House Office Building
Washington, DC 20515-1314

The Honorable Nancy Pelosi
United States House of Representatives
2371 Rayburn House Office Building
Washington, DC 20515-0508

Dear Senator Frist, Senator Reid, Speaker Hastert and Representative Pelosi:

I am writing to urge you to act to extend the research and development (R&D) tax credit.

In the future, an increasing share of economic growth will come from innovation and the creation of new products and services. As the current Chairman of the National Governors Association, my platform initiative – Innovation America – is focused on the urgent need to embrace innovation as the U.S. path to maintaining competitiveness. The R&D tax credit is a fundamental tool in this effort.

More than half of the R&D conducted in this country is done by private industry (63.8% in 2004), a fact that is critical to Arizona's – and America's – economy. Research intensive companies such as Intel (which employs more than 10,000 people in Arizona) are a key factor in the tremendous growth of my state. Just as important, however, are the thousands of small, entrepreneurial companies that are assisted by the R&D tax credit.

The dynamics that resulted in the creation of the tax credit 25 years ago are even more compelling today, with even more at risk. I urge you to seamlessly extend the R&D credit before the conclusion of the 109th Congress.

Yours very truly,

A handwritten signature in black ink that reads "Janet Napolitano".

Janet Napolitano
Governor

Cc: The Honorable John McCain
The Honorable Jon Kyl
The Honorable Jeff Flake
The Honorable Trent Franks

The Honorable Raul Grijalva
The Honorable J. D. Hayworth
The Honorable Jim Kolbe
The Honorable Ed Pastor

The Honorable Rick Renzi
The Honorable John Shadegg