

Congress of the United States
Washington, DC 20515

May 11, 2004

The Honorable Tom DeLay
Majority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Bill Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Rangel
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Leader DeLay, Leader Pelosi, Chairman Thomas, and Ranking Member Rangel:

As Members of the Texas Congressional Delegation, we want to underscore the importance of the federal R&D tax credit. We urge you to bring before the House, as soon as is practical, legislation to extend and improve this vital tax incentive. With the June 30, 2004, expiration date quickly approaching, we believe it is imperative for the Congress to extend and strengthen this important tax credit for as long a period as possible.

According to the Federal Reserve Bank of Dallas, "in the mid- to late 1990s, when the U.S. economy prospered, Texas performed better than the nation, in part because it had a large share of jobs in industries that were booming, especially in the high-tech sector. Along with high tech, almost every other sector of Texas' economy witnessed strong employment gains in the 1990s." We know that much of that productivity and job growth was a result of the investments that businesses made in research and development, human capital, and tangible capital assets.

As businesses in Texas and all across the nation begin to emerge from the recent economic downturn, Congress must work to ensure that the new investments made by businesses are directed at creating jobs in the United States. Since 1981 the R&D tax credit has provided a powerful incentive for firms to undertake research activities in the United States because only those costs associated with research performed in the United States are eligible for the credit. The majority of these eligible expenses claimed are for wages paid to U.S. employees.

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The continued growth of our state's economy is closely tied to the ability of Texas companies to make a sustained commitment to long-term high-cost research and to locate that research in Texas. This credit must not be allowed to expire. We share your commitment to keeping research dollars and jobs in the United States and look forward to working with you on this common goal.

Sincerely,

Sam Johnson

Lamar Smith

Art Bunker

Phil Burton

Ron Paul

Randy Neumann

Al Green

John Hensley

Margaret

Anna Lopez

Neil Sampson

Hyd D. 5th

Don

Circ D. Rodriguez

Gene Green

Rubin King

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