

September 30, 2009

Written Statement by Charlie Sundling, Chairman and CEO of Pipeline Software on behalf of TechAmerica and the R&D Credit Coalition

**Hearing on “Expiring Tax Incentives:
Examining their Importance for Small Business on the Road to an Economic Recovery”**

**U.S. House of Representatives
Committee on Small Business**

Chairwoman Velazquez, Ranking Member Graves, and members of the committee, thank you for the opportunity to submit a statement on the importance of the federal research and development tax credit (“R&D tax credit”) for small businesses on the road to an economic recovery.

My name is Charlie Sundling and I am the Chairman and CEO of Pipeline Software. Pipeline Software is a leading provider of application integration solutions for organizations with asset-intensive and project-intensive business models. Our solutions streamline key business processes in the design, construction and maintenance of multi-billion dollar capital assets. Pipeline Software's products are utilized worldwide by leaders in energy, utilities, transportation, engineering construction, public works, manufacturing, and defense.

In this testimony, I am also representing TechAmerica, the leading voice for the U.S. technology industry, which is the driving force behind productivity growth and jobs creation in the United States and the foundation of the global innovation economy. Representing approximately 1,500 member companies of all sizes from the public and commercial sectors of the economy, it is the industry’s largest advocacy organization. It is also the technology industry's only grassroots-to-global advocacy network, with presence in state capitals around the United States, Washington, D.C., Europe (Brussels) and Asia (Beijing).

TechAmerica is also a member of the R&D Credit Coalition, a group of more than a hundred trade and professional organizations, along with small, medium and

large companies, that collectively represent hundreds of thousands of American workers engaged in U.S.-based research in all major sectors of the U.S. economy, including aerospace, agriculture, biotechnology, chemicals, electronics, energy, information technology, manufacturing, medical technology, pharmaceuticals, software and telecommunications.

As you know, our nation's economy has been hard hit by the recession – the U.S. unemployment rate is currently at 9.8 percent, the highest unemployment rate our nation has seen in over a quarter of a century. In some areas of the country, the unemployment rate is even higher. Small businesses have been particularly hard hit by this economic downturn.

We believe that investing in research, especially during these challenging times, is crucial to repowering the American economy. The R&D tax credit has a proven history of encouraging additional investments in research and promoting U.S.-based, high-wage job growth in companies of all sizes. According to a 2008 Ernst & Young report, entitled "*Supporting Innovation and Economic Growth*," the value of the R&D tax credit as a percent of a firm's assets is highest for small businesses. It is disproportionately difficult, expensive and risky for smaller companies to engage in R&D activities, but permanent enactment of a simplified and strengthened credit would go a long way toward encouraging small companies to make R&D investments. Ultimately, it would stimulate U.S. innovation and lead to growth in jobs, wages, consumption and exports – all contributing to a stronger economy and a higher standard of living for American workers.

Strengthening and permanently extending the R&D tax credit before it expires on December 31, 2009, as proposed by H.R. 422, introduced by Representatives Meek and Brady, and S. 1203 introduced by Senators Baucus and Hatch, would provide the certainty and resources small business owners need in order to be able to plan and invest in U.S.-based research with certainty well into the future. This will help stimulate short-term business investments with long-term benefits to the U.S. economy.

Since the R&D tax credit is only available for certain qualified research performed in the United States, it is really a U.S. jobs provision, since more than 70 percent of the benefits of the credit are attributable to the wages and salaries of workers performing research in the United States. The enactment of a strengthened and permanent credit will serve to both maintain and create new high-paying, high-skilled research jobs in the United States.

Importantly, the R&D tax credit also influences the choice of location among companies looking to open or relocate research facilities. America's R&D tax credit, once a world-leading policy, is now comparatively modest – especially when you consider that in the long-term, nearly two dollars are generated for every dollar of tax benefit. In an increasing competitive global environment with foreign governments actively recruiting American companies to move their research operations abroad, the credit helps make the United States a more attractive location to perform R&D.

For all of the foregoing reasons, we urge the Congress to enact a strengthened, permanent R&D tax credit, as proposed by H.R. 422 and S. 1203, as soon as possible and we pledge to work with the members of this committee, your colleagues on both sides of the Capitol, and the Obama administration in order to achieve this goal.

Thank you.