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The Research & Development Tax Credit **Creating Jobs and Economic Growth through Innovation**

Congressional Action Needed ASAP: The credit will again expire December 31, 2011. Congress should include a strengthened, permanent, credit in the next available legislation.

How to Strengthen the Credit?

- Provide a stable and predictable, permanent research incentive for research in the U.S.
- Increase the ASC rate to at least 20% from its current 14%, providing a more globally competitive incentive for research jobs in the U.S.

Credit Facts:

- Originally enacted in 1981.
- Spurs private-sector R&D investment by companies of all sizes.
- Encourages high-wage and highly-skilled American jobs (effectively a jobs credit, with 70% of R & D qualified expenses, on average, for wages). Only research performed in the U.S. can qualify for the Credit.
- Drives innovation - leading to new or improved products and services sold to the global market – examples include more energy-efficient products, new vaccines, faster Internet and communications capabilities, safer transportation options, and the enabling of greater national security.
- Stimulates research investments in all fifty states, and across 18,000 small, and medium, as well as large companies, per IRS SOI data. A permanent extension of the credit would enhance its incentive value because companies could count on the credit throughout the term of their multiyear R&D projects. Uncertainty creates financial reporting issues.
- **Goal:** R&D spending representing 3% of U.S. GDP. In April 2010, President Obama set this goal of total R&D spending in the U.S. A strengthened, permanent R&D tax credit will help us reach the goal.

What's at Stake: The U.S. is fading in a Global R&D Competition

- In 1980s, the U.S. had the best R&D tax incentive for companies among OECD countries.
- By 2011, the U.S. dropped below the top 10, and now ranks seventeenth.
- Canada, China, Japan and others offer more robust R&D incentives.
- Within 5 years, 23% of companies based in North America will be spending more than a quarter of their R&D budget in growing markets – such as China, Brazil, and India – as compared to 11% of companies today. (Source: “Winning in a polycentric world,” Ernst & Young, February 2011)

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