

JULY 9, 2009

THE R&D CREDIT COALITION

**STATEMENT FOR THE HEARING RECORD
ON "HELPING SMALL BUSINESS INNOVATORS THROUGH THE
RESEARCH AND EXPERIMENTATION TAX CREDIT"**

**U.S. HOUSE OF REPRESENTATIVES
HOUSE SMALL BUSINESS SUBCOMMITTEE ON
CONTRACTING AND TECHNOLOGY**

The R&D Credit Coalition is pleased to submit this brief statement for the record to the House Small Business Committee Subcommittee on Contracting and Technology hearing on helping small business innovators through the Research & Experimentation Tax Credit.

The R&D tax credit has long been a driver of technological breakthroughs. The credit encourages innovation, helps maintain and create jobs in the United States, and is a vitally important tool for many small businesses engaged in cutting-edge research projects – helping to transform our nation's economy to meet the challenges of the 21st century.

The U.S economy has been hit hard by the current recession—our nation's unemployment rate currently tops 9.5 percent, the highest in 26 years. We believe that research spending, both public and private sector, can help reboot our nation's economy—creating both new technologies and jobs to improve the lives of our citizens

With many small businesses struggling to stay afloat, strengthening and permanently extending the R&D tax credit, which is set to expire on December 31, 2009, can provide the certainty small business owners need to continue their research activities—and keep jobs here in the United States.

According to a 2008 Ernst & Young report¹, the value of the R&D credit as a percent of a firm's assets was highest for small firms. The research credit makes a difference for all businesses with respect to projects "at the margin" that may not otherwise be economical to undertake, and in the current economic climate, the credit is even more important. Given the limits on capital that some small businesses face, however, the impact the research credit has on the decision-making of such enterprises is even greater, and often makes the difference in whether a company will go forward with a project.

¹ "Supporting innovation and economic growth," Ernst & Young (2008).

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We urge the Congress to work to strengthen and permanently extend the R&D tax credit as proposed by H.R. 422, introduced by Representatives Meek and Brady, and S. 1203, introduced by Senators Baucus and Hatch. This will encourage companies and small businesses to undertake the cutting-edge research projects, and source them in the U.S., which will help strengthen our weakened economy and create good, high-paying jobs in the U.S.

The R&D Credit Coalition is a group of more than 100 trade and professional associations along with small, medium and large companies that collectively represent millions of American workers engaged in U.S.-based research throughout major sectors of the U.S. economy, including aerospace, agriculture, biotechnology, chemicals, electronics, energy, information technology, manufacturing, medical technology, pharmaceuticals, software and telecommunications.