

AMERICA NEEDS A PERMANENT R&D TAX CREDIT

Tax Credits for Private-Sector Research Fuel Innovation and Create High-Wage Jobs

The R&D tax credit is an effective tool for boosting innovation, competitiveness and creating high-wage employment, by;

- Creating a real incentive for public-private partnerships to fuel innovation and economic activity,
- Spurring innovation and start-up companies,
- Seeding surrounding areas with additional investment in not only scientific research but also indirect business benefits,
- Anchoring high-tech business investments near research facilities and,
- Enabling rapid time-to-market production when manufacturing plants are located close to research.

But the U.S. R&D Tax Credit Has Been Among the Developed World's Weakest

While other countries around the world have significantly increased tax incentives for private-sector research investments, the United States has the weakest incentives of any developed country. The credit will expire again on Dec. 31, 2011 discouraging American businesses from making the research investments in the U.S. that would boost innovation capacity and create high-wage jobs.

- The stop-and-start approach to R&D tax credit policy makes the credit far less effective than it could be as an incentive for greater private-sector research investment.
- In 1990 America provided the most robust R&D tax credit among developed nations, but by 2009, the United States had fallen to 24th place.
- Congress has temporarily extended the credit 14 times since 1981 and has allowed it to expire four times.
- R&D stimulated by the tax credit is an important anchor for high-wage jobs, as high-tech manufacturing is often located near R&D facilities to speed innovation.
- The Administration's FY 2012 budget includes a permanent R&D tax credit.

SIA Calls Upon Congress to Bolster U.S. Innovation Through the R&D Tax Credit

Congress must pass a seamless, strengthened and permanent U.S. R&D tax credit this year. We support a strong, permanent R&D credit of commensurate rate for all companies; a 20 percent simplified credit; and an extension of the traditional credit.

KEY FACTS

- European and Asian nations, as well as Canada and Mexico, offer far more generous tax treatment for private-sector research investments than the United States.
- Corporate R&D managers say that cost is an important factor in moving research offshore.
- A more robust R&D tax credit would lower the cost of research, making the United States a more desirable location for R&D investment.
- An enhanced R&D Tax Credit will support nearly 1 Million Research Workers in the U.S. in Professions that Pay Higher-Than-Average Wages. (*Treasury Dept.*)

"We know what it takes to compete for the jobs and industries of our time. We need to out-innovate, out-educate, and out-build the rest of the world. We have to make America the best place on Earth to do business. The first step in winning the future is encouraging American innovation."

President Obama
State of the Union Address
January 25, 2011