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THE HEARTBEAT OF AMERICAN INNOVATION

U.S. INVESTMENT CLIMATE FOR INNOVATION IS NOT COMPETITIVE

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

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

Studies show that R&D tax credits not only spur more research, they influence the location of research facilities and attract more investment in those facilities.

Research facilities are a critical anchor for new high-tech business investment. Locating manufacturing plants close to research facilities turns out to be a key competitive advantage in high-tech product development because it enables more rapid product innovation.

But the U.S. R&D Tax Credit Is Among the Developed World's Weakest – And Is Scheduled to Expire this Year

While other countries around the world have significantly increased tax incentives for private-sector research investments, the U.S. has recently provided the weakest incentives of any developed country.

- In the late 1980s, America provided the most robust R&D tax credit among developed nations, but by 2004, the United States had fallen to 17th place.
- Congress has temporarily extended the credit 12 times since 1981 and has allowed it to expire three times.
- The credit is scheduled to expire at the end of 2009, raising uncertainties for businesses deciding where to maintain and grow research investments.
- 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.
- R&D stimulated by the tax credit anchors high-wage jobs, as high-tech manufacturing is often located near R&D facilities to speed innovation. The R&D credit helps the semiconductor industry employ 200,000 people in the United States and maintain its position as America's second largest exporter.

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

Congress must strengthen and make permanent the U.S. R&D tax credit this year.

KEY FACTS

- Most European and Asian nations, as well as Canada and Mexico, offer far more generous tax treatment for private-sector research than does 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.

“Make the Research and Development Tax Credit Permanent: Barack Obama and Joe Biden want investments in a skilled research and development workforce and technology infrastructure to be supported here in America so that American workers and communities will benefit. Obama and Biden want to make the Research and Development tax credit permanent so that firms can rely on it when making decisions to invest in domestic R&D over multi-year timeframes.”

Blueprint for Change
Obama and Biden's Plan
for America