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THE COMPETITIVE EDGE

June 28, 2007

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Every day, Americans work hard to build businesses and create jobs that compete effectively in – and take advantage of - the global marketplace. These Americans have one question for the federal government: Are you here to help us or hurt us?

Each week *The Competitive Edge* will highlight one government policy or practice that makes it harder for American innovators to succeed. This week's topic is the **Research and Development (R&D) Tax Credit**.

The Problem:

Innovation is to economic growth as gasoline is to cars – it's not all you need to move forward, but you can't go anywhere without it. Research and development helps companies compete. R&D leads to new products which leads to growth which leads to jobs. Staying ahead in R&D is vital to staying ahead in the global economy.

More importantly, this is not an area where America needs to catch up. We need only to maintain our already considerable advantage. Yet, come December, a key tool to encourage R&D, a 12 percent tax credit for qualified innovators, will expire. Unless Congress votes to extend the Alternative Simplified Credit, American companies will face a competitive disadvantage in planning, budgeting and managing multiyear projects.

Already, some companies are looking to move their R&D divisions overseas. Countries with high deduction rates, such as Australia and the United Kingdom, urge our businesses to relocate. Even France has seen a drastic increase in relocations. "This is the

first time in our industry that Americans are coming to Europe to join the R&D of Europeans,”¹ said Pasquale Pastore, president and CEO of STMicroelectronics.²

The Solution:

Instead of allowing the ASC to expire, Congress should increase it to 20 percent and make it permanent. The Investment in America Act of 2007, H.R. 2138, now before the House Committee on Ways and Means, does just this. More importantly, it eliminates the need to seek extensions every few years. The credit has been extended 12 times, often retroactively. Entrepreneurs need to be able to rely on these policies.

Why It Matters:

As Rep. Tom Davis, R-Va.-11, says, “The United States has one of the strongest economies in the world, but we can’t sleep on past successes. To be competitive for the R&D dollar today, Congress must commit to the high-tech community that reliable R&D incentives will remain in place for the long term. Whether in agriculture, aerospace, biotechnology, engineering, energy, defense, manufacturing, information technology or pharmaceuticals, Congress must send a message that the United States government understands the need for R&D and stands ready to do its part.”

We need good policy and appropriate incentives to keep businesses healthy here, so they continue to provide jobs for Americans. For more information on how you can help promote increased U.S. based research and development go to <http://www.investinamericasfuture.org/>

About the Competitive Edge: The Competitive Edge is a weekly bulletin produced by the Republican Staff of the House Committee on Oversight and Government Reform. If this bulletin was forwarded to you may sign up to receive this bulletin each week by emailing your request to the Committee at Reform@mail.house.gov.

¹ [http://www.investinamericasfuture.org/PDFs/Coalition Interntl RD tax 5-18-07.pdf](http://www.investinamericasfuture.org/PDFs/Coalition_Interntl_RD_tax_5-18-07.pdf)

² [http://www.investinamericasfuture.org/PDFs/Coalition Interntl RD tax 5-18-07.pdf](http://www.investinamericasfuture.org/PDFs/Coalition_Interntl_RD_tax_5-18-07.pdf)