



Public Policy Briefing

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RESEARCH AND DEVELOPMENT TAX CREDIT

- Congress allowed the federal Research and Development (R&D) tax credit to expire on December 31, 2007, for the 13th time since its original enactment in 1981. Without the tax credit, the United States ranks last among industrialized nations in R&D incentives according to the National Association of Manufacturers in their April, 2008 newsletter.
- The unpredictability of long-term research in combination with increasingly shorter product cycle times and increasing competition, is leading U.S. companies to sharply reduce their research programs to focus on near-term product development and short market horizons.
- There is growing concern by the scientific and business community that both Government and private investment in long-term research is not keeping pace with the nation's technological needs. At the same time, it is clear that the nation's technological superiority is being challenged in many areas, including aerospace.
- While U.S. industries currently produce the world's most reliable aerospace systems and subsystems, the industry faces formidable competition in a trans-Atlantic marketplace in which government entities underwrite a significant amount of Europe's civil aeronautics R&D.
- Congressional action is needed immediately to begin to level the playing field by giving U.S. industry the financial incentives to invest in their own future as well as the future of the nation's economy.
- We respectfully urge Congress to renew the R&D tax credit through passage of a bipartisan bill (H.R. 2138) that would establish a permanent federal research and experimentation tax credit and increase qualified expenses under the Alternative Simplified Credit from 12 to 20 percent.