Permanent Research and Development Tax Credit
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Position: The Council for Chemical Research (CCR) supports a strengthened and permanent research and development (R&D) tax credit under Section 41 of the Internal Revenue Code (IRC). "Strengthened" means the addition of a permanent and enhanced Alternative Simplified Credit (ASC) of 20%. CCR also supports President's Obama's decision to include a permanent R&D tax credit in his 2011 budget proposal.

Who We Are: CCR is a non-profit organization dedicated to advancing multi-sector, multi-disciplinary research in the chemical sciences and engineering. Its member organizations – companies, universities and government laboratories – are represented in CCR by their research leaders.

We recognize the budget constraints faced by Congress but strongly urge that funding for physical sciences research be strengthened as an investment in our Nation's future. Our studies (http://www.ccrhq.org/publications) and those of others demonstrate that Federal investments in chemical science research yield significant payback for the US economy. **Every dollar of Federal investment is leveraged by $5 of private investment; this investment generates ten dollars of operating income for industry (a 17% annual after tax return), the economy gains roughly $40 in GDP, $8 in increased tax revenues, and creates 600,000 new jobs over the ensuing 20 year period.**

The R&D tax credit works to stimulate R&D spending in the United States. It is specifically designed to encourage the type of commercial R&D investment that enables U.S. companies to bring new products and services to market. A strengthened, permanent R&D tax credit **provides a strong return on investment** because:

- **U.S job creation is fueled.** More than 75 percent of credit dollars are earned for wages paid to individuals directly involved in U.S.-based R&D. In some industries, more than 90 percent of credit dollars are earned on wages.

- **R&D stays home.** Only R&D performed in the United States may qualify for the R&D tax credit. The resulting innovation stays home.

- **Leverage is substantial.** On average, industry invests $16 in R&D for every dollar of federal R&D investment.

- **The President has targeted to increase US R&D investments to 3% of GDP.** Making the R&D Tax Credit permanent would be a critical step towards achieving that goal.

- **Stability is essential for long-term R&D success because research is inherently risky.** In the chemical industry, on average, only 1 out of every 125 research projects will result in a successful commercial product. Temporary extensions create uncertainty. Congress has temporarily extended the credit 10 times and allowed it to die for an entire year. We recognize that this is a difficult year. However, a permanent credit would create stability for our industry that is measured by a risk averse investment banking community.

- **A temporary and less-competitive R&D tax credit hurts the U.S. economy.** Major U.S. trading partners and developing countries have more generous R&D tax incentives than the United States. Australia, Canada, France, India, Japan, the Netherlands, Portugal, Singapore, Spain, and the United Kingdom provide a richer, permanent R&D incentive.

- **Bicameral and bipartisan support of the R&D tax credit has long existed in Congress and the Executive Branch.**

- **Some state R&D credits are linked to the federal R&D tax credit.** Thus, the uncertainty of a temporary federal R&D credit is magnified for many companies.

The Council for Chemical Research, 1550 M Street, NW, Suite 300, Box 14, Washington, DC 20005
202-429-3971 (phone); 202-429-3976 (fax); **ccrmail@ccrhq.org**