



July 18, 2013

Dear Members of the United States Senate,

On behalf of Research!America, the nation's largest advocacy and public education alliance committed to advancing medical research and development, I am writing in regard to tax reform. As the Senate considers the myriad of options for tax reform, we urge you to include the research and development (R&D) tax credit, section 41 of the Internal Revenue Code, in the discussion.

Research!America and its members support a fair and simplified tax code that reflects our nation's priorities. According to our polling, Americans place a strong emphasis on medical research, development, and innovation as a national priority. Specifically, an overwhelming majority of Americans believe that investing in medical innovation is an engine of growth that creates good jobs and fuels the economy.

The request for input on tax reform sent by Senate Finance Committee Chairman Max Baucus and Ranking Member Orrin Hatch specifically indicated the hope to preserve only those special provisions in the tax code which help grow the economy, make the tax code fairer, or effectively promote other important policy objectives. The R&D credit is one such provision.

The R&D tax credit was first enacted over 30 years ago and has remained a proven incentive for spurring private sector investment in R&D by companies of all sizes. This credit has also proven its capacity to create high-wage domestic jobs, as approximately 70 percent of credit dollars are used to pay salaries of high-skilled R&D workers.

Research!America hopes you will consider making the R&D tax credit permanent to amplify its positive impact on the pace of innovation and the enduring strength of our economy. The impermanence of the tax credit hinders its full economic effects. Given the scope and scale of typical research projects across multiple fiscal years, the uncertainty of the provision expiring has been shown to dissuade businesses from making desperately needed investments in research. Additionally, we hope you give due consideration to other proposals aimed at expanding and diversifying the tax credit. A permanent and strong R&D tax credit would increase the economy through long-term capital investments, stable high-wage jobs, and new innovations.

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Strengthening the R&D tax credit by making it permanent is a bipartisan proposal. In a June 2012 report, the Joint Committee on Taxation highlights the broad economic consensus on both sides of the aisle that government intervention to promote private sector research can improve economic efficiency. In the 112th Congress, a bipartisan group of twenty Senators including Chairman Baucus and Ranking Member Hatch introduced legislation that would expand and make permanent the R&D tax credit. It is good public policy.

As you consider proposals for tax reform, we urge you to include a strong, permanent R&D tax credit. Our nation's future health depends on it.

Sincerely,

A handwritten signature in black ink that reads "Mary Woolley". The signature is written in a cursive, flowing style.

Mary Woolley
President and CEO, Research!America