

**U.S. Senate Committee on Finance
Business Income Working Group
April 6, 2015**

On behalf of Raytheon Company, I applaud the formation of bipartisan working groups to thoroughly examine comprehensive tax reform. Raytheon strongly supports tax reform that significantly reduces the corporate tax rate, provides incentives for research and innovation within the United States, simplifies the tax code, and aligns the U.S. corporate tax system with the major industrialized economies around the world. Tax reform is critical to promoting economic growth and supporting quality jobs in our country.

Raytheon is a technology and innovation leader with over 61,000 employees specializing in defense, homeland security and other government markets throughout the world. With 8,000 programs and over 15,000 contracts, we are proud to provide world class products and services to the U.S. defense and civil markets, as well as many of America's strategic allies and partners.

As a domestic manufacturer with over 30 percent of our revenue derived from global exports, we welcome a significant reduction in the corporate tax rate. In the 1980s, the United States had one of the lowest corporate tax rates of Organization for Economic Cooperation and Development (OECD) countries. Today, the top U.S. corporate tax rate, including state corporate income tax, is 39.1%, which is more than 14 percentage points higher than the OECD average. We strongly encourage a significant reduction in the tax rate in conjunction with the adoption of a globally competitive tax system.

A reformed U.S. tax system with a lower corporate tax rate should also include robust incentives to encourage research and development (R&D) activities and attract the income and operations of businesses with significant intangible assets. Incentives for R&D and innovation are essential to keeping and attracting more high-skilled, well-paying research jobs in the U.S. We understand that getting a reduced corporate tax rate will require some difficult choices. When making these choices, the Senate Finance Committee should not lose sight of the fact that our major foreign competitors enjoy the combination of both significantly lower corporate tax rates and more generous R&D tax incentives.

As a leading technology company, Raytheon employs nearly 50,000 engineers and scientists in the United States and spends approximately \$750 million annually on R&D. Furthermore, our R&D efforts, and those of our industry peers, also support a large group of suppliers and other businesses. The currently expired U.S. R&D tax credit is ranked 27th of 42 countries in terms of R&D tax incentives. More countries are also establishing patent boxes and other even more generous innovation incentives. We strongly support robust inducements for research and innovation activities which will be necessary both to incentivize companies to conduct even more R&D and to maintain and expand the high-skilled research jobs (and the directly associated manufacturing jobs) that drive this economic investment.

The Tax Reform Act of 2014 was a significant step in the right direction for tax reform. Specifically, the reduction of the corporate tax rate to 25%, the permanent extension of the R&D tax credit, the establishment of a territorial system, and the Option C base erosion model were significant improvements over the current tax code. However, the measures that scaled back the scope of the R&D credit and created disparate treatment of revenue recognition for taxpayers deserve further consideration.

We look forward to continued tax reform discussions, and encourage the Senate Finance Committee to seriously consider a significant corporate tax rate reduction, refinement of the country's international tax model, and establishing robust incentives for research and innovation.

Raytheon thanks the Senate Finance Committee for its continued work on tax reform and appreciates the opportunity to submit comments. We hope that you will consider us a resource in this important endeavor moving forward.

Respectfully,

A handwritten signature in black ink that reads "Mark W. March". The signature is written in a cursive style with a large, stylized initial "M".

Mark W. March
Raytheon Company
Vice President – Tax