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BAUCUS, HATCH LOOK TO BOOST INNOVATIVE AMERICAN INDUSTRIES, PROVIDE CERTAINTY

WITH PERMANENT RESEARCH AND DEVELOPMENT TAX CREDIT

Finance Leaders Unveil Legislation to Make American Companies More Competitive

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Orrin Hatch (R-Utah) today unveiled legislation to simplify and make permanent the Research and Development (R&D) Tax Credit, boosting innovative American industries and sparking economic and job growth here at home. The bill would provide certainty to businesses, allowing them to count on the credit for long term research projects and providing an incentive for them to make job-creating investments. The Baucus-Hatch proposal, called the Greater Research Opportunities with Tax Help Act of 2011 (GROWTH Act), is cosponsored by eight other Senators.

“By giving businesses a leg up on the competition in this global economy, we can help them grow and create the jobs American families need. Our workers are facing competition from countries across the globe, so this boost to innovation and research here at home is critical to our economy,” Baucus said. **“Making the research and development tax credit simple and permanent gives innovative American businesses the certainty they need to make job-creating investments and the ability to compete in markets across the globe.”**

“A permanent R&D tax credit rewards innovation and entrepreneurship, and gives American businesses the certainty they need to invest, grow and hire. This legislation makes sense, has strong bipartisan support and is essential to ensuring our nation’s job creators have the tools they need to compete around the world,” Hatch said.

Under current law, the R&D provision can be calculated under two methods: a traditional credit and the alternative simplified credit, both of which provide U.S. firms a tax credit for incremental qualifying research expenses, such as labor and equipment costs. However, the traditional credit is considered outdated and has drawn criticism for the compliance burden it places on both taxpayers and the IRS.

The GROWTH Act would simplify and update the research credit by significantly raising the value of the alternative simplified credit from 14 percent to 20 percent of average qualifying research expenses and allowing the traditional credit to expire at the end of 2011. The Baucus-Hatch proposal would also make the simplified R&D credit permanent, giving businesses certainty and eliminating the threat of expiration. Since the credit was created in 1981, Congress has had to extend the credit 14 times, sometimes after the credit had already expired.

Baucus and Hatch [have led](#) the [effort to improve](#) and [make permanent](#) the R&D credit. At their request, the Government Accountability Office issued a [report on R&D in 2009](#), which recommended simplification and a permanent extension.

