

July 22, 2008

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Republican Leader  
United States Senate  
Washington, DC 20510

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Charles Grassley  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Leader Reid, Leader McConnell, Chairman Baucus and Ranking Member Grassley:

As the United States Senate considers legislation to extend the research and development tax credit, we urge you to include an increase to the Alternative Simplified R&D Credit (ASC), a critical incentive for U.S.-based research and related U.S. jobs.

The ASC, enacted in 2006, is a simplified and modernized credit that is preferred by the vast majority of companies that conduct research in the United States. With other countries intensifying competition to attract R&D investment, an enhanced ASC provides a necessary incentive for companies to locate R&D and the associated highly skilled and well-compensated jobs in the United States. Therefore, increasing the ASC rate is vitally important to help our companies continue to innovate and to remain competitive in today's global marketplace.

An increased ASC has strong bi-partisan support and has been included in every significant Senate bill to extend the R&D tax credit this Congress, including the *Research and Competitiveness Act of 2007* (S. 41), the *Research Credit Improvement Act of 2007* (S. 2209), the *Alternative Minimum Tax and Extender Tax Relief Act of 2008* (S. 2886), the *Alternative Minimum Tax and Extenders Tax Relief Act of 2008* (S. 3098), and the *Energy Independence and Tax Relief Act of 2008* (S. 3125). The list of Senators who support an ASC increase is impressive, and we very much appreciate their leadership.

We are committed to working with you and others in Congress to help ensure the enactment of an increased ASC. Please do not hesitate to call on us.

Respectfully,

William P. Sullivan  
President and Chief Executive Officer  
Agilent Technologies, Inc.

John E. McGlade  
Chairman, President and Chief Executive Officer  
Air Products and Chemicals, Inc.

Michael R. Splinter  
President and Chief Executive Officer  
Applied Materials, Inc.

Walter M. Havenstein  
President & CEO  
BAE Systems, Inc.

Kurt Bock  
Chairman & CEO  
BASF Corporation

Jim Owens  
Chairman and Chief Executive Officer  
Caterpillar Inc.

John Chambers  
Chairman and CEO  
Cisco Systems, Inc.

Bob Lane  
Chief Executive Officer  
Deere & Company

Charles O. Holliday  
Chairman & CEO  
DuPont Company

Joseph M. Tucci  
Chairman, President and Chief Executive Officer  
EMC Corporation

Mark V. Hurd  
Chairman of the Board, Chief Executive Officer and President  
Hewlett-Packard Company

Dave Cote  
Chairman and CEO  
Honeywell International, Inc.

Samuel J. Palmisano  
Chairman and Chief Executive Officer  
International Business Machines Corporation

William C. Weldon  
Chairman and Chief Executive Officer  
Johnson & Johnson

Robert J. Stevens  
Chairman, President & Chief Executive Officer  
Lockheed Martin Corporation

Hugh Grant  
Chairman, President and Chief Executive Officer  
Monsanto Company

Dr. Ronald D. Sugar  
Chairman and Chief Executive Officer  
Northrop Grumman Corporation

Edward T. Colligan  
President and CEO  
Palm, Inc.

Jeffrey B. Kindler  
Chairman of the Board  
Chief Executive Officer  
Pfizer Inc

Scott M. Weisenhoff  
CEO and Regional Executive  
Philips Electronics North America

William H. Swanson  
Chairman and CEO  
Raytheon Company

James H. Goodnight  
Chief Executive Officer  
SAS

James W. Griffith  
President & Chief Executive Officer  
The Timken Company

Louis R. Chênevert  
Chief Executive Officer  
United Technologies Corp.