Key Points: H.R. 880, the "American Research and Competitiveness Act of 2015"

Today's tax code is too complex, too complicated, and too time consuming:

- One of the best examples of the complexity of our current tax code is the so-called tax extenders and their temporary status.
- Short-term tax policy is bad for business and bad for economic growth and jobs.
- Job creators are left constantly guessing if a group of policies are going to be around next year. This hurts their ability to plan for the future and expand their business.
- We can no longer accept the status quo. The United States is the only country in the world that allows such important tax policy to expire on a regular basis.

Permanently extending the research and development tax credit will open the door for economic growth and give businesses small and large the stability and certainty they need.

- The R&D tax credit has been repeatedly extended since 1981; it is time to make this provision permanent so we can make the U.S. a more attractive place to invest and hire.

A permanent R&D credit will allow American businesses to innovate, create jobs, increase wages and invest in the United States.

- According to the National Association of Manufacturers, "the R&D tax credit is a proven incentive for spurring private-sector investment in R&D and creating domestic, high-wage jobs – 70 percent of credit dollars are used to pay salaries of R&D workers…a strong and permanent R&D incentive will allow the United States to remain competitive in the global race for R&D investment dollars and a leader in global innovation…"
- The Joint Committee on Taxation, Congress' independent, non-partisan referee for tax legislation, estimates that making the R&D credit permanent will increase the amount of research and development American companies undertake by 10 percent.

Details of H.R. 880: Under the legislation, a simplified research credit would be made permanent.

- The research credit would equal:
  - 20 percent of the qualified research expenses for the tax year that exceed 50 percent of the average qualified research expenses for the three tax years preceding the tax year, plus
  - 20 percent of the basic research payments for the tax year that exceed 50 percent of the average basic research payments for the three tax years preceding the tax year, plus
  - 20 percent of all expenses (without regard to a base amount) paid to an energy-research consortium for research conducted for the taxpayer.
- The traditional 20 percent credit that was calculated using a base period would be repealed.
- In addition, eligible small businesses ($50 million or less in gross receipts) would be able to claim the credit against AMT liability.