

**Statement for the Record**  
**By**  
**The Honorable Kevin Brady-TX08**  
**Before the Subcommittee on Select Revenue Measures**  
**of the House Committee on Ways and Means**  
**Hearing on Certain Expiring Tax Provisions**  
**April 26, 2012**

Mr. Chairman and Ranking Member Neal, thank you for the opportunity to appear before you today and talk about two issues of great importance as we move toward comprehensive tax reform, encouraging American competitiveness and taxpayer fairness.

**American Competitiveness**

America is the world's leading innovator – developing life-saving technologies, state-of-the-art computer systems, and breakthrough manufacturing products – but we are losing ground to competitors around the world. The R&D credit was first adopted by Congress in 1981, but since that time, it has been extended some 14 times, with the current credit expired at the end of 2011.

The U.S. share of global research and development has fallen from 38% in 1999 to 31% in 2009, while China's share has increased fourfold. Other countries are moving ahead of us by offering stronger incentives to attract research and development and the good-paying jobs that go with it to their markets. In 2009, the United States ranked 24th out of 38 countries in the strength of its R&D incentives. It is time we get back on the playing field by modernizing the American R&D tax credit and keeping American jobs and innovation here at home.

At the beginning of this Congress, I, along with Congressman John Larson, introduced H.R. 942, The American Research and Competitiveness Act of 2011, to simplify and strengthen the U.S. credit by increasing the "alternative simplified credit" from 14% to 20% and making it permanent, while providing a one-year bridge for those companies that still use the "traditional credit," to December 31, 2012.

The credit would apply equally to all companies that perform R&D in the United States and would modernize the credit by simplifying and strengthening it. Increasing the alternative simplified credit rate to 20% would allow companies to increase their current R&D spending, attract new R&D spending, and add U.S. jobs.

The Information Technology and Innovation Foundation has estimated that expanding the Alternative Simplified Credit (ASC) from 14 to 20 percent would spur the creation of 162,000 jobs in the short run (and an additionally, but unspecified, number of jobs in the longer run), increase GDP by \$66 billion annually and the number of patents filed by an estimated 3,800.

It is also important to provide certainty for companies that make long-term investments in R&D. On average, R&D projects take 5-10 years. Making the credit permanent would provide

companies the confidence they need to make those long-term investments. As we look toward making the R&D credit permanent in tax reform, we must take action now to extend the credit for 2012 and 2013.

## **Taxpayer Fairness**

Extending the federal income tax deduction for state and local sales taxes will create fairness and equity for the over 62 million people living in Texas, Florida, Washington, Tennessee, Nevada, South Dakota, and Wyoming, which have no personal income tax. For that reason I introduced H.R. 476, which would make permanent the state and local sales tax deduction, ending the perpetual cycle of expiration and extension.

In December 2011, in a demonstration of strong bipartisan support for extension of the state sales tax deduction, I, and Congressman Jim McDermott, were joined by 66 Members of Congress in signing the attached letter to Chairman Camp and Ranking Member Levin urging that the deduction be continued. At the end of March, a joint letter from the Governors of the seven states without state income taxes sent a letter to House and Senate leadership in support of our effort.

In 2008, Susan Combs, the Texas Comptroller of Public Accounts, explained the following benefits that Texans enjoyed from the deduction and urged its extension beyond 2007:

- Extending the deduction would save Texans a projected \$1.2 billion a year, or an average of \$520 per filer claiming the deduction, based on tax year 2005 data, which was the latest year state data was available;
- Maintaining the deduction for tax year 2008 and beyond would be vitally important to the state, in that it is associated with between 15,700 and 25,700 jobs and \$1.1 billion to \$1.4 billion in gross state product.

In Texas, the state I know best, the 2009 tax year information from the IRS showed that 2.1 million Texas filers claimed \$4.0 billion in sales tax deductions, resulting in estimated tax savings of over \$1 billion. And since 2003, over 600,000 more Texans have been itemizing their tax returns with a substantial portion claiming the sales tax deduction. Extending the sales tax deduction will benefit millions of Texans who work hard to keep the state's economy vibrant. It is vitally important for taxpayers in states without an income tax to be able to take the sales tax deduction and be on equal footing with residents in other states. The deduction puts extra money in Texans' pockets which helps any family's budget.

Americans living in states without income taxes rightfully expect that they will continue to be treated equally under the law by the federal government, regardless of the local tax system elected by their state. It is the right and fair thing to do.

Thank you.

**Congress of the United States**  
**Washington, DC 20515**

December 5, 2011

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Camp and Ranking Member Levin:

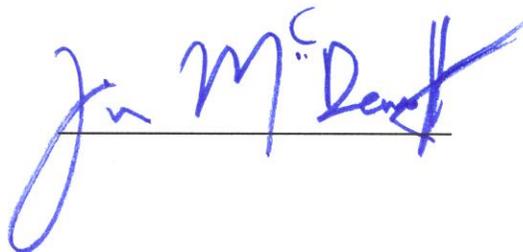
As members from states without an income tax, we write to encourage you to include an extension of the state and local sales tax deduction in any tax extenders package during the remaining weeks of the first session of the 112<sup>th</sup> Congress. Our objective is to provide our constituents with the same treatment afforded to residents of states with an income tax.

The sales tax deduction saves taxpayers in our states millions of dollars per year and is a vital component of our states' economies, spurring growth and creating jobs. Unfortunately, as you know, the sales tax deduction will expire at the end of 2011. If the deduction is not extended in a timely manner, our constituents will not be able to deduct their state and local sales taxes on their 2011 federal tax returns.

The sales tax deduction has enjoyed strong bipartisan support during the six years since it was enacted in its present form by the American Jobs Creation Act of 2004. It was extended by bipartisan Congresses in 2006, 2008 and 2010. Millions of middle-class families in Texas, Nevada, Florida, Washington, Tennessee, South Dakota and Wyoming will be negatively hit with a higher tax burden if Congress does not act to extend this deduction.

We strongly urge you to maintain fairness in the tax code, and to provide certainty and predictability to taxpayers by extending the sales tax deduction. We greatly appreciate your continued support on this issue and we thank you for your consideration of this request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sander Levin", written over a horizontal line.A handwritten signature in blue ink, appearing to read "Dave Camp", written over a horizontal line.

Diane Black

Ala Ala TX 12

John Carter TX 31

Mac Tly

Shel

Bea TX 22

Sam Johnson

Will W'ol TX-10

ATM

Black Farenhold TX 27

Murphy TX 23

Bill Sessing TX-32

Ky Singer TX 12

Joe Baedlow TX 6

Penney TX-19

Bill Stone (TX-17)

John TX-1

John Culberson TEXAS 7

Lamar Smith

Norm Dick

Shelley Berley

TR-04

Gene Gilman

David P Roe

John J. Duncanson

Art

Allen West FL-22

Glenn M. ...

Harold Keltner

Connie Mack

Jim Hill FL-01

Joe Heck

And. Cla FL4

Keith Jackson Sec

Harsha Blackburn

Bill Josey FL15

Rddie Bernie Johnson

Dr. Webb FL18

Ron ...

... FL21

Cathy McNamee Rodgers

Alan L. Hartig

K. Mitchell

Phil Chapman 12-6

Ralph M. Hall

Chas. A. Zengler

Buffy

W. E. H. H.

John Smith

Steve Chen

Cliff Stevens

Mark V. Amos

Corinne Brown

Gynetha D. Lummis

Gay Ann Lee

Pick Larson

D. Bell

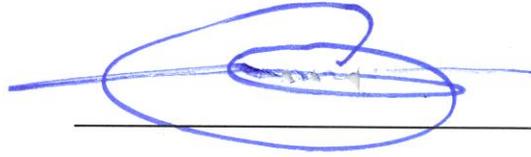
To To To

Vance Baker

Sam Long

DB

Jaime Herrera-Butler



Ron Paul

Allyson Field





March 27, 2012

The Honorable John A. Boehner  
Speaker  
U.S. House of Representatives  
H-232 Capitol Building  
Washington, DC 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
H-204 Capitol Building  
Washington, DC 20515

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
S-221 Capitol Building  
Washington, DC 20510

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
S-230 Capitol Building  
Washington, DC 20510

Dear Speaker Boehner, Leader Reid, Leader Pelosi and Leader McConnell:

As governors of states whose citizens are not assessed state and local income taxes, we urge you to include an extension of the state and local sales tax deduction in upcoming legislation. Congress provided this deduction for tax years 2004 – 2011, and Congress must act again in order for our citizens to know they will be able to continue to deduct state and local sales taxes, in lieu of a state income tax, for tax years 2012 and beyond.

As you know, previously, the federal tax code only allowed taxpayers in states that collected state income taxes the ability to deduct those taxes. In 2004, Congress restored fairness and equity to the people of our states by allowing our citizens to deduct state and local sales taxes on their federal income taxes.

The state and local sales tax deduction ensures that every U.S. taxpayer is treated equally regardless of his or her state's tax collection methods. We are eager to see this deduction extended so the residents of our states may continue to enjoy equal treatment under the tax code.

We urge you to include this deduction in a bill that will be enacted this year.

Sincerely,

Handwritten signature of Governor Rick Scott in black ink.

Governor Rick Scott  
Florida

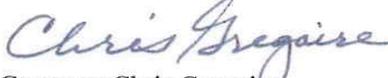
Handwritten signature of Governor Brian Sandoval in blue ink.

Governor Brian Sandoval  
Nevada

  
Governor Dennis Daugaard  
South Dakota

  
Governor Bill Haslam  
Tennessee

  
Governor Rick Perry  
Texas

  
Governor Chris Gregoire  
Washington

  
Governor Matthew Mead  
Wyoming