



Silicon Valley Tax Directors Group

Statement for the Written Record

House Committee on Ways and Means, Subcommittee on Select Revenue Measures

Hearing on Certain Expiring Tax Provisions

April 26, 2012

R&D Credit

The uncertainty and complexity of the R&D credit is perfect example of how the United States has fallen behind in terms of providing tax policies that help American companies compete globally. In 2011, the credit expired for the fifteenth time in its history, and so companies again are in a situation where decisions on whether to invest in the U.S. to create intellectual property have to be made without regard to the potential tax credit.

The impact of this uncertainty is increased by the fact that the United States has fallen behind other nations in providing incentives for innovation and the creation of intellectual property. The U.S. currently ranks toward the bottom of OECD nations in terms of R&D tax rate incentives. As a result, current policies undermine the prospects for American workers by encouraging the migration of research and development activities to other countries with more predictable, more favorable tax treatment.

The Silicon Valley Tax Directors Group believes the United States needs a permanent and enhanced R&D tax credit that promotes investment in U.S.-based creation of intellectual property.

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