Make Permanent the Research and Experimentation Tax Credit

By Eric Spiegel

Thirty years ago, the United States introduced the research and experimentation tax credit (sometimes called the research and development -- or R&D -- tax credit), making the U.S. the first nation to use its tax code to spur innovation. In the decades since, businesses have used the credit to create American jobs, foster new industries, and expand our knowledge in science and technology. Today, in part because of that credit, our greatest global advantage continues to be our capacity for innovation.

In the years since, many nations have seen the benefits the R&E credit delivers to the U.S., and have followed suit. They recognize that incentives that drive innovation are among the most important tools available to create economic growth and promote long-term prosperity.

At Siemens, we know this from experience. Research and innovation are at the core of our culture: more than 7,000 of our total 62,000 employees in the U.S. work on research and developmental activities, driving innovation throughout our product lines. We are awarded well over 1,000 U.S. patents each year, placing Siemens in the top ten of U.S. patent recipients. From the U.S., we annually export $2 to $3 billion worth of products that incorporate the results of our research.

Companies like Siemens are now trying to gauge how lasting the U.S. government's commitment to the R&E credit will be. Since the credit was introduced in 1981, it has always come with an expiration date, requiring Congress to renew it 14 separate times. Washington has failed to renew the R&E credit on eight separate occasions. In 2010, Congress had to pass a retroactive extension after it failed to renew the credit on time.

Investments in research and innovation are, by definition, long-term, and the future returns on those investments are necessarily uncertain. To the extent that the future of the tax credit is unclear, it's difficult for companies to mitigate that uncertainty, thus hindering investments that otherwise would create American jobs and enhance the competitiveness of American manufacturing.

Boosting the R&E credit by 25 percent could raise GDP by $206 billion

Making the R&E tax credit permanent is a crucial step the U.S. should take to create high-quality American jobs and to ensure a robust, competitive U.S. economy.

A permanent extension of the R&E tax credit would spur critical U.S.-based innovation and economic growth; eliminate uncertainty for companies; create many thousands of new, high-paying U.S. jobs; grow America's GDP; and spark new innovations that enhance the global competitiveness of American manufacturing.

The Obama Administration is now working with a bipartisan group on Capitol Hill both to make the R&E tax credit permanent and to expand it. According to the Treasury Department, enacting that plan would support nearly one million U.S. research workers earning higher-than-average salaries. A study by the Milken Foundation has found that boosting the credit by 25 percent could lift real GDP growth by $206 billion.

As our Global CEO, Peter Loescher, says, "R&D is not overhead. It's our competitive advantage." What's true for Siemens is also true for America.