



November 20, 2003

Dear Chairman Thomas,

On behalf of the Electronic Industries Alliance (EIA), I would like to thank you for your sponsorship of today's "extender" bill (H.R. 3521), which will provide a one-year extension for tax provisions set to expire this year. However, we are very concerned that an extension of the Research & Development Tax Credit is not included in this legislation.

Since its enactment in 1981, the R&D tax credit has proved to be a powerful and effective incentive to increase research and development spending. Congress has endorsed the credit by extending it 10 times since its enactment, but the lack of a permanent credit could cause some multinational firms to locate future projects offshore, where R&D policies are more generous and stable. The resulting loss of U.S. technology advancements, jobs and innovation would be a blow to our economy. Legislation introduced earlier this year by Senators Orrin Hatch and Max Baucus (S. 664) and Representatives Nancy Johnson, Robert Matsui, Dave Camp and Benjamin Cardin (H.R. 463) calls for a permanent credit, increased Alternative Incremental Research Credit (AIRC) rates and an alternative simplified credit. EIA has strongly supported these efforts.

By excluding the R&D Tax Credit from today's extender package, you will leave R&D on its own isolated schedule, due to expire next June. This is of serious concern to EIA and its corporate members, as allowing R&D to remain on its current expiration schedule means Congress will have the difficult task of enacting a solitary tax-related provision next spring.

The R&D Tax Credit is a valuable provision for the high-tech industry, and one that can have a significant impact on confidence and recovery in our sector and within the broader business community. We urge you to consider including the R&D Tax Credit in today's bill. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Dave McCurdy". The signature is written in a cursive, flowing style.

Dave McCurdy  
President  
Electronic Industries Alliance

cc: Members of the House Committee on Ways & Means