MEDIA RELEASE

Contact: Catherine Daniell (972) 308-6479 or (817) 991-1041 Catherine.Daniell@ncpa.org

U.S. Is Strangling R&D Growth: Lags Behind China and India
NCPA Report: Permanent, Higher Tax Credit Is Needed

(DALLAS-Feb. 28, 2012) The U.S. ranks 18th in tax credit per dollar of expenditures, lagging far behind other developing and rapidly growing countries, like China, India and Brazil, according to a new report by the National Center for Policy Analysis (NCPA).

"While the U.S. continues to put policy band aids on R&D tax credits, other countries are racing past us," said study coauthor and NCPA Sr. Fellow Pamela Villarreal. "Fifteen years ago, the U.S. led the way with the most generous tax credit of any nation. Now, France tops that list with a 42.5 cent effective tax credit for every dollar of R&D spending. The U.S. allows a pitiful tax credit of six cents."

"No fewer than three major developing countries and 14 developed countries are barreling forward to attract and support new research, and they're winning" said Villarreal. "The credit in the U.S. has not even been renewed yet for 2012, creating more uncertainty for firms."

The R&D tax credit reduces a firm's federal tax liability based on the amount spent on wages, patent attorney fees and so forth to develop a new product or improve existing products. Increasing the alternative simplified research and development tax credit, combined with the regular research credit under current law, would increase R&D spending by $23 billion to $53 billion, according to the report.

It is Time to Make the R&D Tax Credit Permanent: http://www.ncpa.org/pub/ba764

Co-authored by NCPA Senior Fellow Pamela Villarreal and Graduate Student Fellow Brian Bodine.

###