



Committee On Finance

Max Baucus (D-Mont.)

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BAUCUS INTRODUCES RESEARCH COMPETITIVENESS ACT OF 2007
*Legislation updates research tax credits, aids creation of research parks,
provides capital for technology start-ups*

Washington, DC – U.S. Senator Max Baucus (D-Mont.), incoming Chairman of the Senate Finance Committee, today introduced tax legislation to boost American competitiveness through increased research, experimentation and innovation. The Research Competitiveness Act of 2007 will facilitate applied and basic research with updated, streamlined, and permanent tax credits. The bill will give tax-exempt bond authority to states and communities seeking to improve their research capabilities with research parks and new facilities. It will also create a new tax credit to help small technology companies access the capital that they need to survive their start-up years. This will, in turn, create American jobs in the research sector. Baucus first introduced this legislation in 2006 as part of a comprehensive package of bills designed to strengthen American competitiveness.

“I introduced this legislation at the start of the 110th Congress because fostering American innovation is key to creating and keeping American jobs,” said Baucus. **“We are competing with countries around the world to attract innovators and entrepreneurs whose businesses can hire good workers and pay good wages. The research and development tax credit helps to create a climate for those businesses to start, grow, and stay right here in the U.S. Throughout our country’s history you can draw a direct line from American innovation to increased opportunities for American workers, and that’s what this bill aims to provide.”**

Research, experimentation and development of new ideas and products are essential to America’s economic stability and success. The Research Competitiveness Act facilitates research and experimentation, through several changes to current tax policy.

- The bill makes permanent the tax credit for applied research (commonly known as the research and development (R&D) tax credit). The credit last expired December 31, 2005, and a two-year extension (for tax years 2006 and 2007), was enacted in December of 2006.

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- The bill simplifies and improves the research tax credit, creating a 20 percent credit for qualifying expenses that exceed half the average of the prior three years, and a 10 percent credit if the company had no prior expenses. The bill replaces the three current methods of claiming the research tax credit with this one simplified credit based on research spending, not gross receipts. This helps companies with fluctuating sales or with new, non-research business ventures. The bill also increases the percentage of contract research spending qualifying for the tax credit.
- The bill also streamlines, updates, and makes permanent the credit for basic research. One hundred percent of funds put toward basic research will qualify under the regular research credit.
- The bill allows tax-exempt bond authority for state and local governments working to establish or improve research parks. "Research clustering" is a proven way to improve the effectiveness of research, experimentation and development efforts. The tax-exempt status of bonds used by universities to fund research efforts is also preserved in the bill.
- Finally, the bill creates a tax credit to help start-up companies access inexpensive capital. The provision, modeled on the successful New Markets Tax Credit, will allocate tax credits to qualifying research entities which will in turn raise capital in order to fund small businesses with promising technologies.

The Research Competitiveness Act of 2007 is expected to be referred to the Senate Finance Committee, on which Baucus serves as Chairman.

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