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CONTACT: Ian Koski at 202-224-5042 or ian_koski@coons.senate.gov

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Senators Coons, Roberts introduce bipartisan bill to spur private research and development

Proposal would enhance research and development tax credit, lead to more investment

WASHINGTON – U.S. Senator Chris Coons (D-Del.), leader of the Senate’s *Manufacturing Jobs for America* initiative, and Senator Pat Roberts (R-Kan.) introduced bipartisan legislation on Tuesday to enhance incentives for private firms to invest in research and development. The *Innovators Job Creation Act* would help startups and other small companies take advantage of valuable R&D tax credits that are currently unavailable to them.

“Research and development is the lifeblood of great American companies, turning ideas into innovations that grow businesses and create good manufacturing jobs here at home,” **Senator Coons** said. “If we want to strengthen our manufacturing sector, we have to support innovation and entrepreneurship, particularly by startups that are creating the majority of new jobs. The *Innovators Job Creation Act* will make the successful R&D tax credit accessible to thousands of small firms, freeing up the capital they need to grow during their critical early stages. We can win the fight for manufacturing jobs in America if we invest in our nation’s inventors and innovators, and that’s exactly what this bipartisan bill does.”

“Early-stage technology companies often struggle to get through the funding ‘valley of death’ as they work to commercialize their research,” said **David Gates, Chairman of the Technology Forum of Delaware**. “Providing R&D tax credits to such companies will help more new technologies reach the marketplace, while improving U.S. competitiveness.”

In addition to the Technology Forum of Delaware, the bill is supported by Delaware companies including Denovix, Inc.; Evozym; Genome Profiling, LLC; and Litecure, LLC; as well as Delaware BIO and the New Castle County Chamber of Commerce.

“Research and development (R&D) in new technologies and new products is an important source of economic growth,” **Senator Roberts** said. “The new technologies, products, and lower prices generated by investments in R&D create new jobs, raise wages, and create new demand for goods and services.

Our legislation would increase cash flow for small businesses and start-ups involved in R&D intensive activities by reducing past, current and future tax liabilities leading to permanent tax savings. This would also reduce a company's effective tax rate, increasing cash flow and improving earnings, which results in them becoming a more attractive investment."

Start-ups typically must invest in R&D for many years before they become profitable. During this "pre-revenue" phase of their development they generally cannot use the deductions or tax credits generated by their R&D investments. As a result, start-ups need to raise a great deal of outside capital to fund their investments in new technologies and products, and may also face difficulties borrowing.

To address this, the *Innovators Job Creation Act* would:

- **Allow the R&D credit to be claimed against the Alternative Minimum Tax.** Even if a company is entitled to the R&D credit, many pass-through entities cannot claim it because the R&D credit cannot be used against the Alternative Minimum Tax. Eight out of 10 businesses that would otherwise benefit from taking the R&D credit will receive little to no benefit because of the AMT. This provision was previously in the *Small Business Jobs Act of 2010*, but expired after one year.
- **Permit the Alternative Simplified Credit (ASC) on amended returns.** Currently, businesses can only claim the traditional R&D tax credit on an amended return. However, the traditional credit is outdated and costly for smaller businesses. The Alternative Simplified Credit was intended to make the calculations easier, but *regulations* prohibit its use on an amended return. There is nothing in statute that requires such a limitation.
- **Enable startup firms to claim the R&D credit, by claiming against their employment taxes.** If a startup company cannot access the R&D credit because it does not have an income tax liability, it can claim the R&D credit against taxes it pays on employee wages. The benefit is capped at \$250,000 per year.

The *Innovators Job Creation Act* has also been endorsed nationally by more than three-dozen organizations and companies, including the Information Technology & Innovation Foundation (ITIF), BIO, the Association for Manufacturing Technology, CompTIA, TechVoice, the American Small Manufacturers Coalition, the Telecommunications Industry Association, Plug In America, American Institute of Architects, and the Technology Councils of North America.

Text of the *Innovators Job Creation Act* can be found here: <http://bit.ly/1eGleJL>

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