A PERMANENT RESEARCH AND DEVELOPMENT TAX CREDIT

A permanent Research and Development (R&D) tax credit is needed. The frequent expiration of the R&D tax credit significantly hinders companies’ ability to take advantage of the tax credit by making long-term R&D investments. A permanent R&D tax credit is imperative for the U.S. electronics industry to remain globally competitive, retain jobs, and ensure the future manufacturing competitiveness of U.S. technology-based businesses.

**Background**

R&D is the lifeblood of a strong and competitive U.S. electronics manufacturing industry. R&D is critical in advancing technology, growing a business, diversifying a product line, and enabling businesses to develop new processes and products. Investment in R&D also entails investment in skilled employees and subsequent technology infrastructure.

The R&D tax credit creates an incentive for companies to conduct R&D activities by providing a tax credit based on qualified R&D expenses.

**How Electronics Companies Can Use the Research and Development Tax Credit**

The electronics industry conducts many day-to-day activities that qualify for the R&D tax credit. Businesses can receive R&D tax credits not simply for the final product, but for all the changes, variations, and experiments involved in getting to their final result. Ongoing research and experimentation during all phases of fabrication such as design, testing, compatibility, functionality, and ultimately production may be claimed as R&D tax credits.

**Why is a Permanent Research and Development Tax Credit Important?**

The intent of the R&D tax credit is to encourage companies to conduct R&D in the U.S. However, the R&D tax credit expires frequently, discouraging companies from making long-term R&D investments. Companies may not be able to take full advantage of the credit due to the uncertainty regarding the credit’s future availability. If the R&D tax credit were made permanent, U.S. businesses may make long-term investments in R&D activities knowing that they would be eligible to claim tax credits.

If the R&D tax credit were made permanent, U.S. companies will be better able to compete globally. The U.S. R&D tax credit ranks 17th among industrial nations, putting U.S. companies at a significant disadvantage. Many countries also have a form of a permanent R&D tax credit allowing for long-term R&D investment.

**Support a Permanent Research and Development Tax Credit**

IPC has long advocated for a permanent R&D tax credit. A permanent R&D tax credit is vital for U.S. electronics companies to be globally competitive and retain U.S. jobs. For more information please visit [www.ipc.org/LAC-RD](http://www.ipc.org/LAC-RD)