

House Task Force on Industrial Innovation and Productivity



CONGRESS OF THE UNITED STATES

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Dear Colleague:

The Ways and Means Committee will consider a number of vitally important tax cut proposals during its markup of the tax bill which began yesterday. I am writing to urge your personal support for two proposals which would provide tax credits for research and development expenditures.

HR 1539, introduced by Mr. Pickle and Mr. Vander Jagt, would create a 25% tax credit for R&D increases over the average R&D outlay for the previous three years. HR 1864, offered by Mr. Shannon and Mr. Pickle, would create a 25% tax credit for corporate funds contributed to colleges and universities for research.

A key factor in the decline of innovation in the U.S., and the erosion of our competitive position in the international market place, has been lagging support for R&D. These proposals would help to reverse this trend. They would encourage new R&D efforts, re-orient many academic programs for productive innovation, increase the supply of technical graduates, and allow a company or group of companies in an industry to sponsor needed research.

American R&D spending as a percent of GNP has declined from 3% in 1964 to 2.2% in 1979, while Japan's has increased from 1.5% to 1.9% and Germany's from 1.6% to 2.3% of GNP. This helps to explain why our rate of productivity increase has dropped from 3.4% annually between 1948 and 1955, to a negative rate of .4% in 1979 and 1980.

Because most of our GNP growth and productivity increases have come from technological innovation which is dependent on R&D, it is essential that we take all reasonable steps to encourage our R&D efforts. These two proposals do that. As Chairman of the House Task Force on Industrial Innovation and Productivity, I ask that you express to Members of the Ways and Means Committee your support for them.

Sincerely,

LES AUCOIN
Chairman