FOR IMMEDIATE RELEASE   Contact: Carol Guthrie
Thursday, May 4, 2006   (202) 224-4515

BAUCUS INTRODUCES RESEARCH COMPETITIVENESS ACT OF 2006
Fourth in a series of Baucus competitiveness initiatives provides updates research tax credits, aids creation of research parks, provides innovation capital for technology start-ups

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

The Research Competitiveness Act is the fourth in a series of Baucus competitiveness bills introduced this year. Research, experimentation and development of new ideas and products are essential to America's economic stability and success.

"Asia is plowing more funding into science and education, and that investment is paying off. More than a hundred Fortune 500 companies have opened research centers in India and China," said Baucus. **"Innovation kept America economically preeminent in the last century. We need to redouble our commitment to research and experimentation, or we risk losing both our innovative edge and our economic leadership in the world. "**

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. Currently, the tax credit expires and must be renewed regularly by Congress.

-       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 two 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.

Baucus Research Competitiveness Act/Page 2

- 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.

 "Research and innovation have powered American prosperity for nearly two centuries," said Baucus. **"Aggressive research can produce American-made solutions to the world's biggest problems, and cutting-edge products for the world's biggest markets. Tax policy that aids and encourages research and experimentation is essential to our global competitiveness."**

The Research Competitiveness Act of 2006 is expected to be referred to the Senate Finance Committee, on which Baucus serves as Ranking Member.

# # #