



INNOVATION POLICY AND THE ROLE OF THE R&D TAX CREDIT

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September 21, 2015**

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- Innovation processes, policies, and metrics,
- Internet, big data and IT policy,
- IT and economic productivity,
- Science and tech policy, and
- Innovation and trade policy.

OUTLINE

- **CURRENT STATE OF US INNOVATION-BASED COMPETITIVENESS**
- CAUSES, INCLUDING TAX POLICY
- R&D CREDIT IN COMPETITIVE CONTEXT
- R&D CREDIT IN CONTEXT OF TAX REFORM

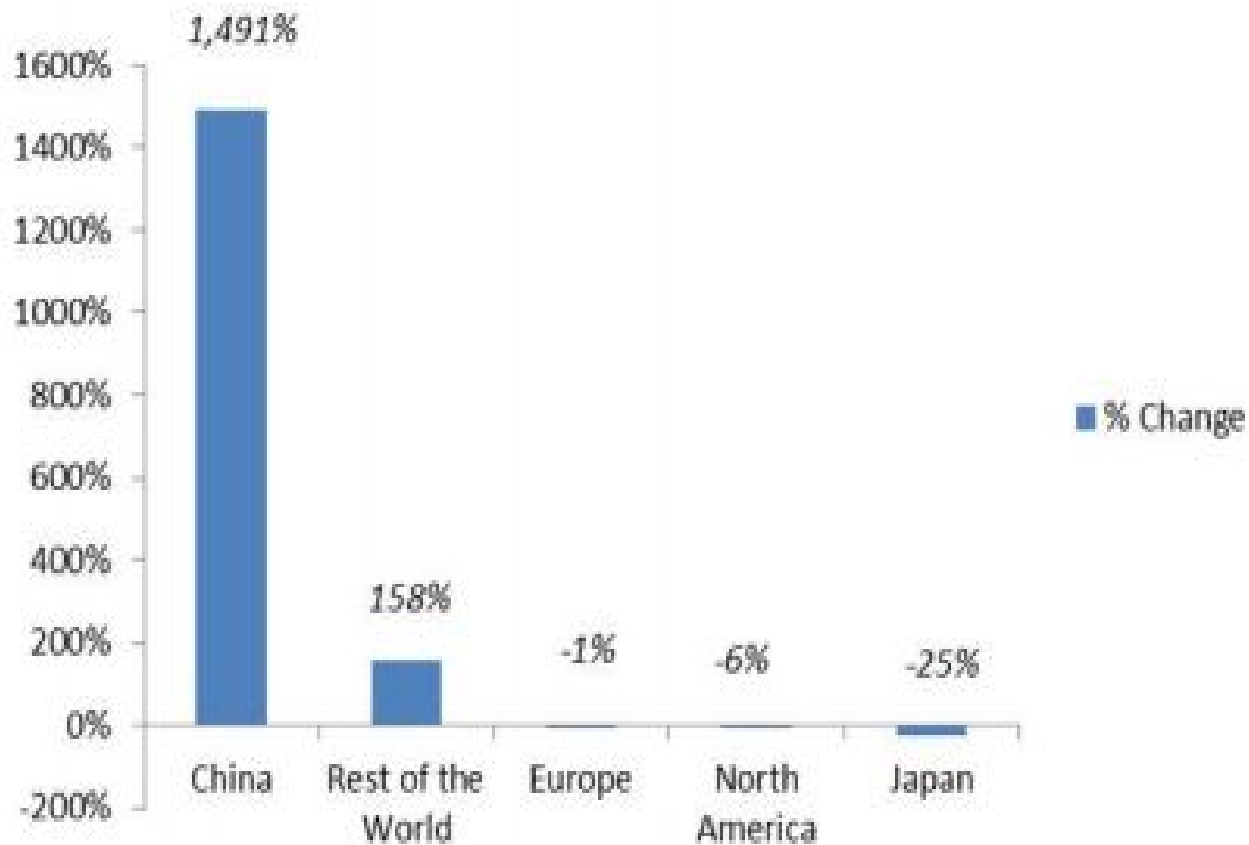


Figure 20: R&D Spending by Region, 2005–2014⁴⁴

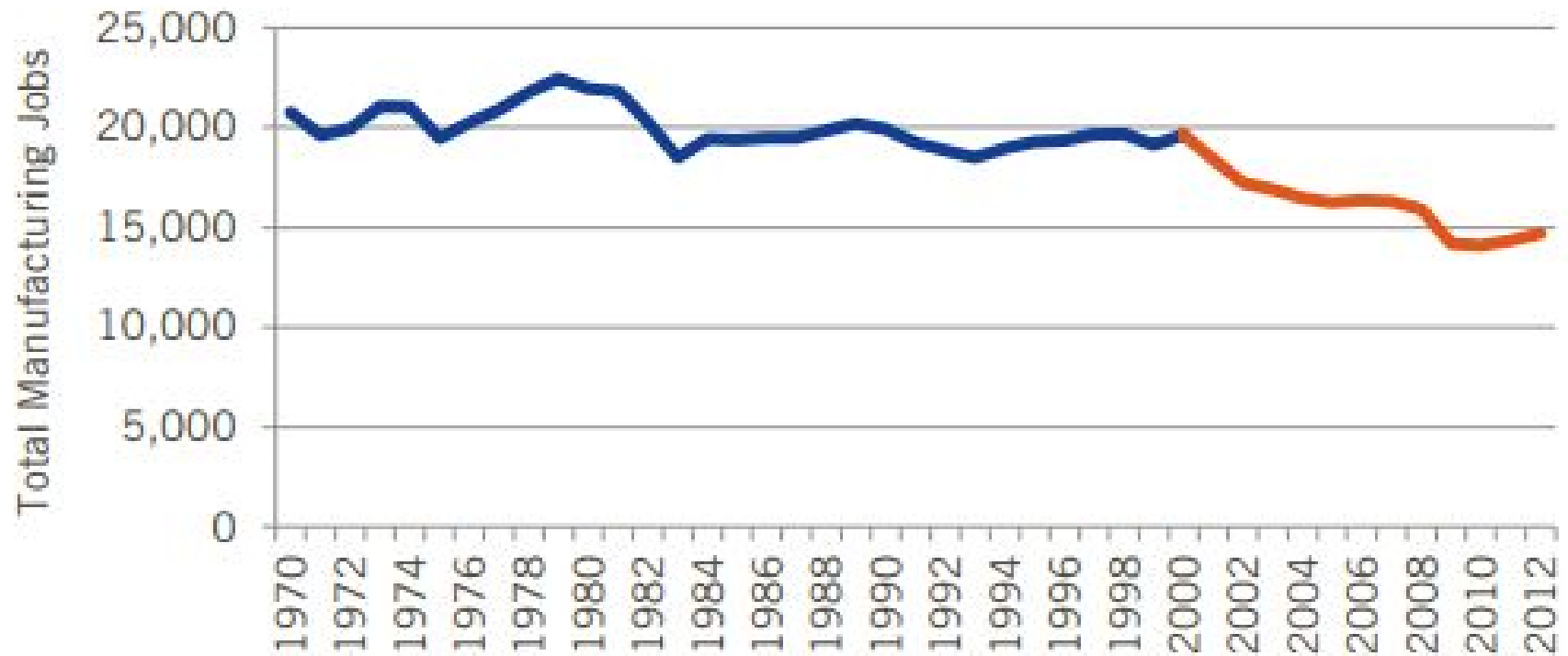


Figure 2: Total Manufacturing Jobs in the United States, 1970–2012 (Thousands)

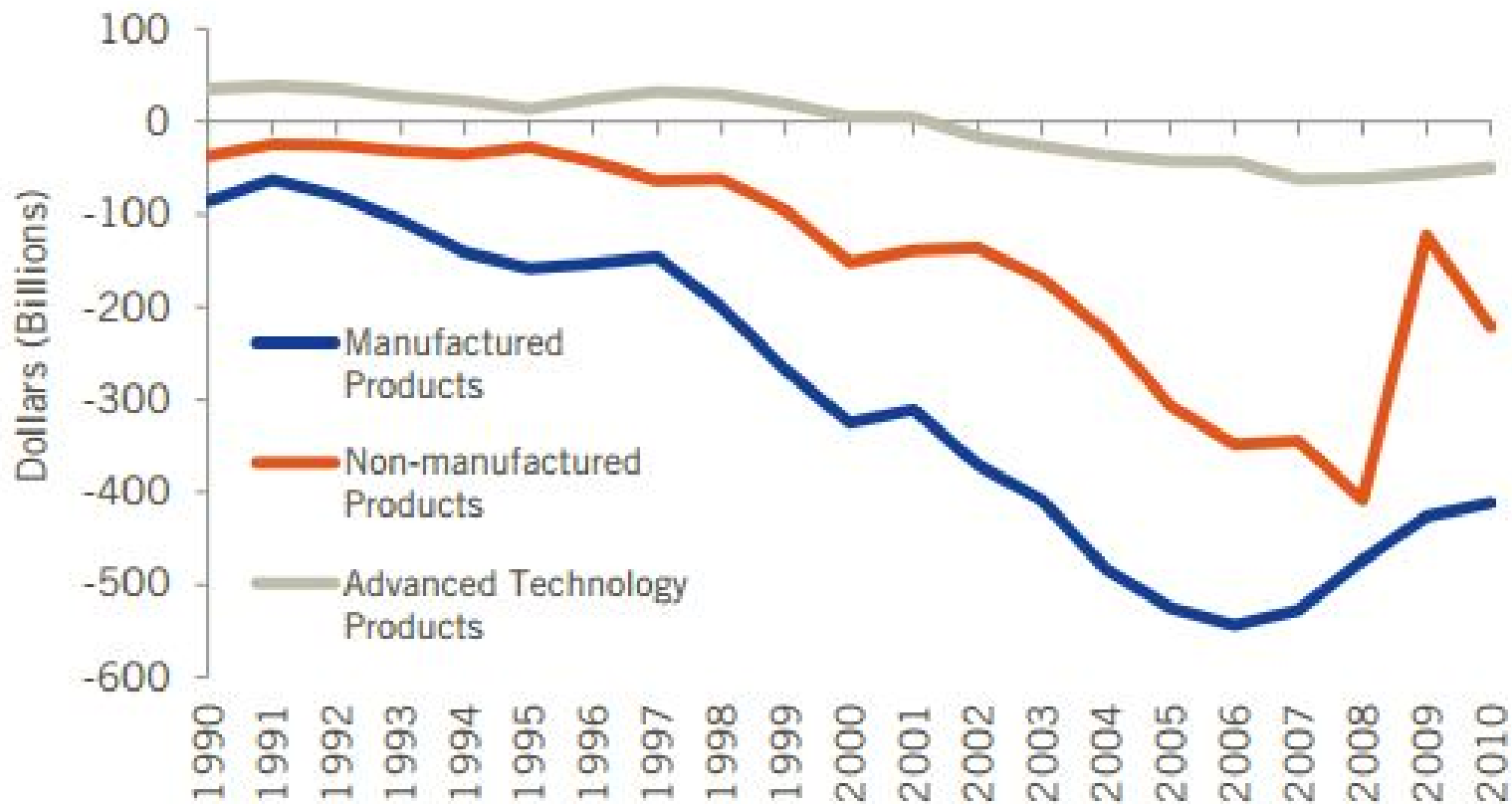


Figure 1: United States Annual Trade Deficits in Manufactured, Non-Manufactured, and Advanced Technology Products, 1989–2013¹¹

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LAGGING IN THE “4 T’S”

➤ TAX

➤ TRADE

➤ TECH

➤ TALENT

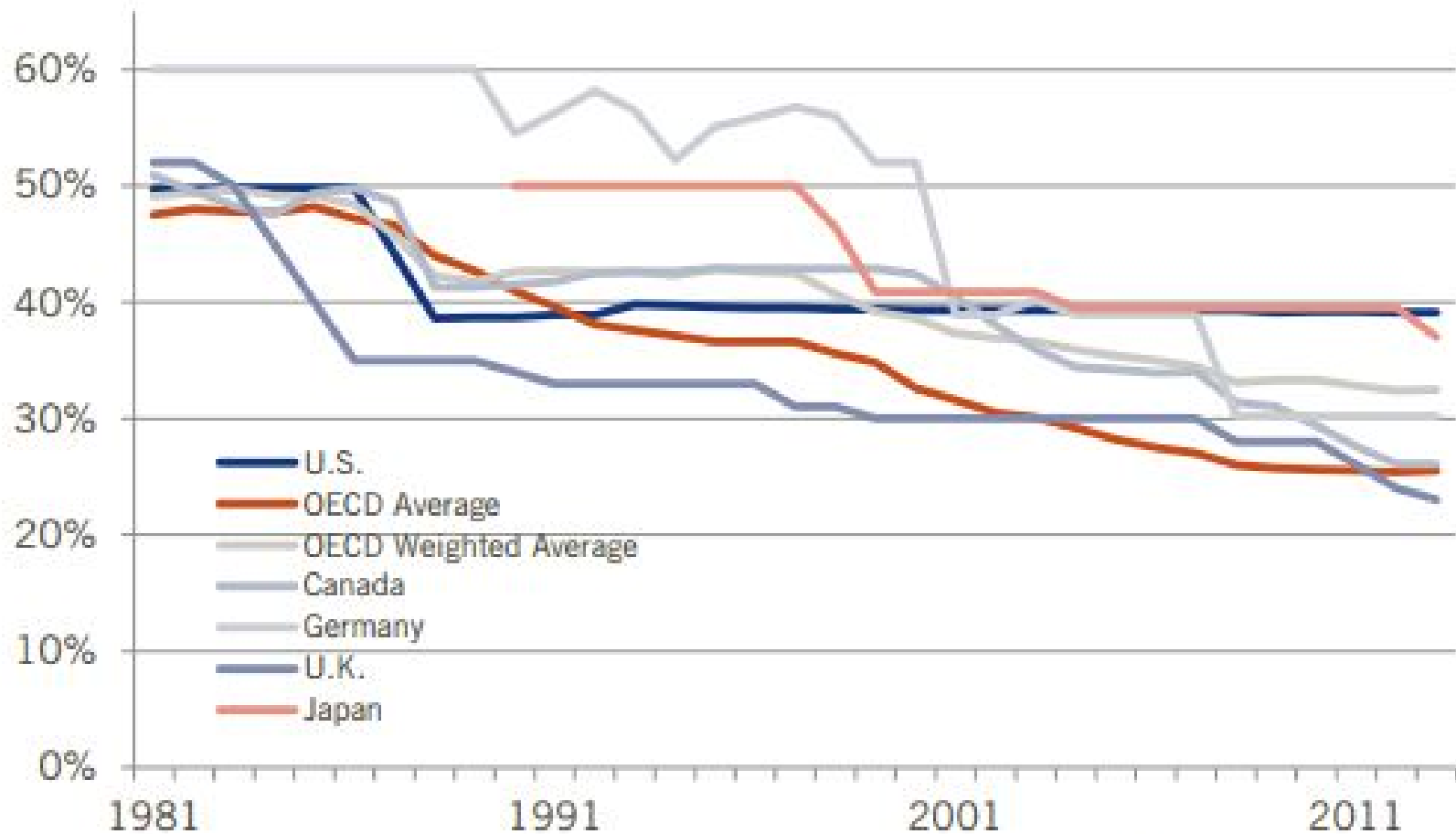


Figure 2: Combined Corporate Tax Rates of OECD Countries 1981-2013⁵⁰

Industry	Aggregate Effective Tax Rate for 2013
Aerospace/Defense	30.71%
Bank	30.38%
Biotechnology	37.63%
Construction	20.47%
Hotel/Gaming	9.91%
Total Market	20.47%

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Figure 4: As Countries Increase their R&D Tax Incentives and Other Countries are added to the B-Index Analysis, the U.S. Rank Falls Precipitously

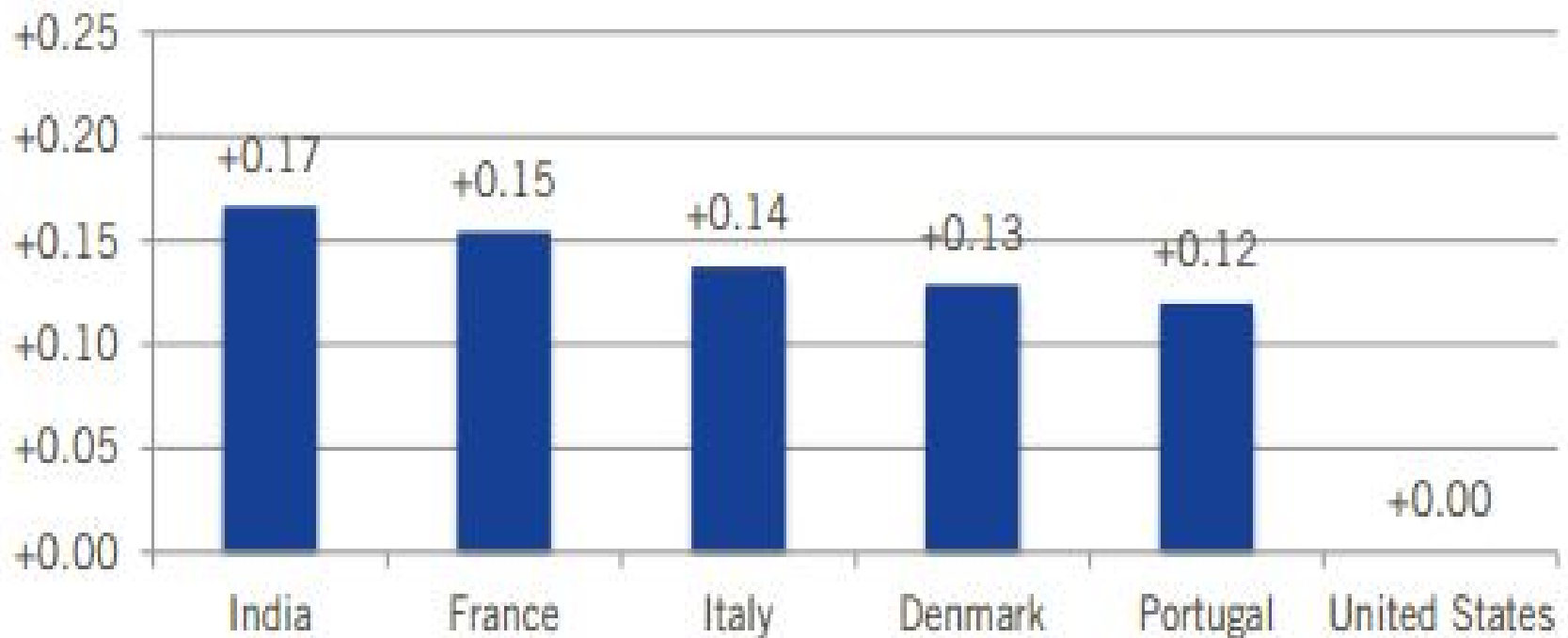


Figure 5: Top Five Increases in the R&D Tax Subsidy Ratio for Large Firms, 2007-2012, Compared to the United States (differential change)²⁴

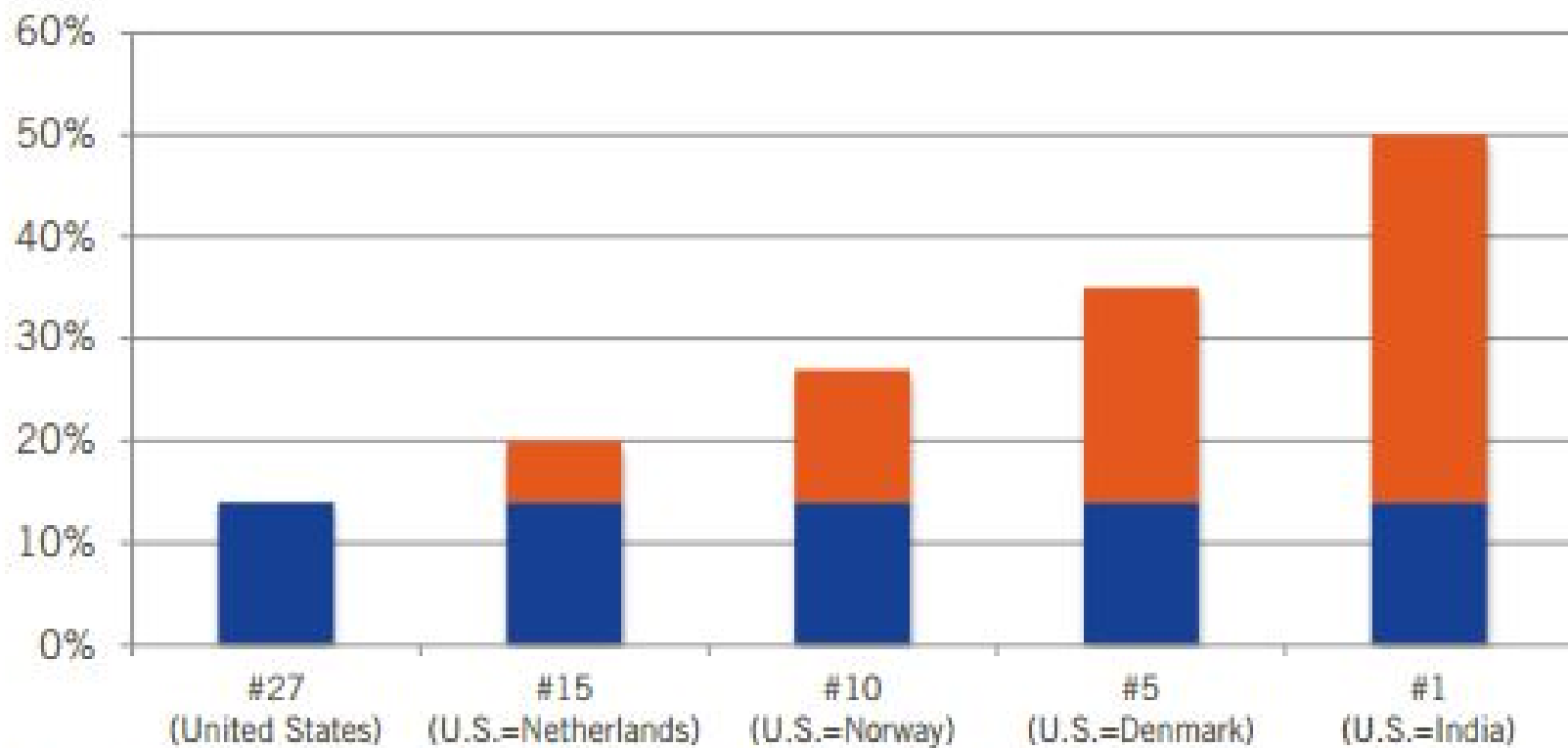


Figure 6: U.S. Alternative Simplified Credit Effective Rates Required to Grant the United States the #15, #10, #5, and #1 Positions in the B-index Rankings (Large Firms)

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R&D CREDIT IN CONTEXT OF TAX REFORM

➤ BROADEN THE BASE OR LOWER THE RATE?

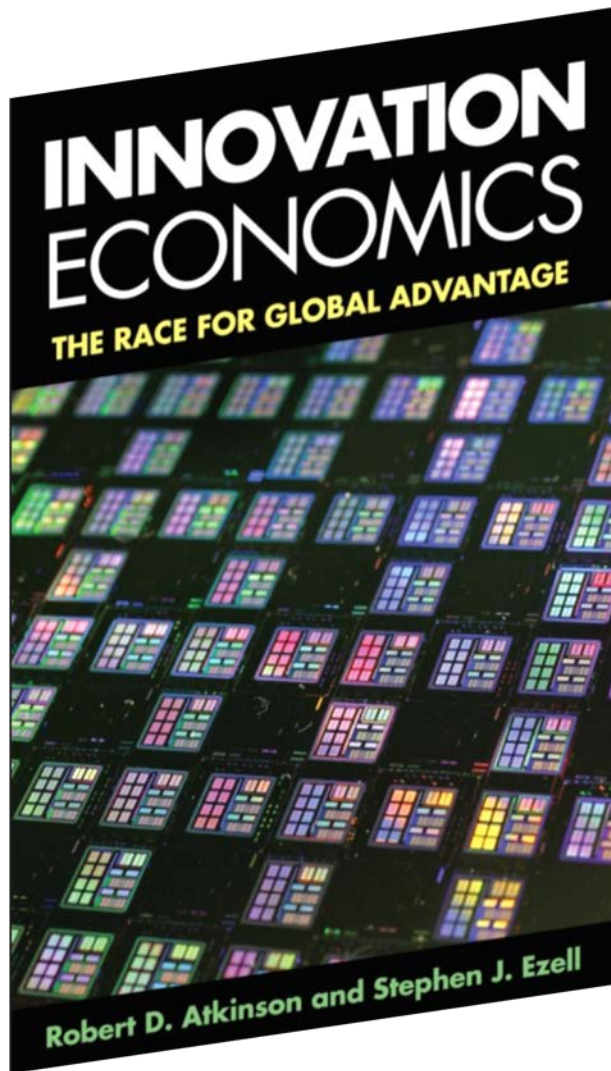
R&D CREDIT IN CONTEXT OF TAX REFORM

- BROADEN THE BASE OR LOWER THE RATE?
- DOES THE CREDIT WORK?

R&D CREDIT IN CONTEXT OF TAX REFORM

- BROADEN THE BASE OR LOWER THE RATE?
- DOES THE CREDIT WORK?
- DOES THE CREDIT DISTORT MARKETS?

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Yale University Press
2013

Thank You

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