



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 6, 2014
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 4438 – American Research and Competitiveness Act of 2014 (Rep. Brady, R-Texas, and 23 cosponsors)

The Administration supports enhancing, simplifying, and making permanent the Research and Experimentation Credit ("R&D credit"), and offsetting the cost by closing tax loopholes. Making this credit permanent will increase its effectiveness, since it will allow businesses to make investments and create jobs today confident that they will continue to benefit from the credit in the future. Moreover, four-fifths of the R&D credit is attributable to salaries of U.S. workers performing U.S.-based research—meaning that the credit helps create high-skilled jobs, as well as encouraging new innovations and future productivity.

However, the Administration strongly opposes House passage of H.R. 4438, which would permanently extend and expand the R&D credit without offsetting the cost, adding to long-run deficits.

By making the R&D credit permanent without offsets, H.R. 4438 would add \$156 billion to the deficit over the next 10 years. Moreover, if this same, unprecedented approach of making major traditional tax extenders permanent without offsets were followed for the other traditional tax extenders, it would add \$500 billion or more to deficits, wiping out most of the deficit reduction achieved through the American Taxpayer Relief Act of 2013. Last month, House Republicans themselves passed a budget resolution that required offsetting any tax extenders that were made permanent with other revenue measures.

The deficit increase in H.R. 4438 is more than fifteen times the cost of the proposed extension of emergency unemployment benefits, which Republicans are insisting be offset, and more than double the discretionary funding increases for defense and non-defense priorities such as research and development in the Bipartisan Budget Act of 2013, which were offset. House Republicans also are making clear their priorities by rushing to make business tax cuts permanent without offsets even as the House Republican budget resolution calls for raising taxes on 25 million working families and students by letting important improvements to the Earned Income Tax Credit, Child Tax Credit, and education tax credits expire.

The Administration wants to work with Congress to make progress on measures that strengthen the economy and help middle-class families, including pro-growth business tax reform. However, making traditional tax extenders permanent without offsets represents the wrong approach.

If the President were presented with H.R. 4438, his senior advisors would recommend that he veto the bill.

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