



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

May 19, 2015
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H. R. 880 – American Research and Competitiveness Act of 2015

(Rep. Brady, R-TX, and 32 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. The President's Budget proposes to do so as part of pro-growth business tax reform that is revenue neutral over the long term. Making the R&D 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. 880, 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. 880 would add \$180 billion to the deficit over the next 10 years. H.R. 880 violates the very standard that House and Senate Republicans approved less than a month ago in their concurrent budget resolution, which requires offsetting the cost of any tax extenders that are made permanent with other revenue measures. If the House passes H.R. 880, it will have approved nearly \$600 billion in deficit-increasing tax cuts mainly for corporations and wealthy estates this year – none of which are provided for in the Republicans' own budget.

As with other similar proposals, Republicans are imposing a double standard by adding to the deficit to continue and expand costly tax breaks, while slashing investments and programs that serve middle class and working Americans in the name of fiscal rectitude. If this same approach of making major 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. House Republicans also are making clear their priorities by rushing to make business tax cuts permanent without offsets even as the Republican Budget Resolution calls for raising taxes on about 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 the Congress to make progress on measures that strengthen the economy and help middle-class families, including pro-growth business tax reform. However, H.R. 880 represents the wrong approach.

If the President were presented with H.R. 880, his senior advisors would recommend that he veto the bill.

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