

Nov. 14, 2006

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Dennis Hastert
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Democratic Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Hastert, Leader Frist, Democratic Leaders Reid and Pelosi:

On behalf of the undersigned organizations representing the more than 40,000 companies and 1.2 million employees that comprise the United State's bioscience and medical technology industries, we strongly urge Congress to act immediately to extend and strengthen the federal research and development tax credit (R&D credit) before adjournment of the 109th Congress.

The R&D credit, which has been in place for more than 25 years, expired at the end of 2005. It is a critical and effective federal incentive, vital to maintaining U.S. competitiveness, and one of the primary reasons that the United States currently leads the world in bioscience research and development. For many bioscience and medical technology companies now operating on a global basis, the decision is not whether to invest in research and development, but in which of their facilities the project will be located. *The absence of a long term and dependable federal credit creates a significant disincentive for locating new research projects in the U.S.*

Failure to extend and strengthen the R&D credit before the close of the 109th Congress will have serious negative consequences for American companies. If the R&D credit is not retroactively extended and strengthened by Dec. 31, 2006, companies will be required to state their annual year-end earnings reflecting the full impact of a higher tax rate due to the fact that the credit has lapsed. *As such, failure to immediately and retroactively extend the R&D credit prior to adjournment will adversely impact annual earnings-per-share for all companies who would have otherwise claimed the credit.* For highly research-intensive bioscience and medical technology companies, particularly those that must raise funds in the capital markets, this could seriously destabilize their position in the marketplace.

Additionally, since the inception of the R&D credit, numerous states have enacted their own incentives pegged to the amount claimed under the federal credit. State governments increasingly realize that they are no longer competing just within the U.S. to attract research activity. Governments around the world have created the necessary

infrastructure and are now offering U.S. companies highly competitive and valuable long-term, contractual incentives to attract new investments in research and related manufacturing facilities.

The R&D credit has long enjoyed broad, bi-partisan support. We urge you to use your leadership position during the limited window in the final days of this Congress to avoid a potentially disruptive and destabilizing situation for our nation's most research-intensive companies. Congress should move quickly to extend and strengthen the R&D tax credit prior to adjournment.

Sincerely,



James C. Greenwood
President & CEO
Biotechnology Industry Organization
Washington, DC



Stephen J. Ubl
President and CEO
AdvaMed
Washington, DC

Arizona BioIndustry Association
Scottsdale, AZ

Colorado BioScience Association
Denver, CO

BayBio
South San Francisco, CA

Delaware BioScience Association
Newark, DE

BIOCOM
San Diego, CA

Georgia Biomedical Partnership
Atlanta, GA

BioNebraska Life Sciences Association
Lincoln, NE

Hawaii Science & Technology Council
Honolulu, HI

Biotechnology Association of Alabama
Birmingham, AL

Idaho Bioscience Association
Boise, ID

Biotechnology Association of Maine
Augusta, ME

Illinois Biotechnology Industry Organization
Chicago, IL

Biotechnology Council of New Jersey
Trenton, NJ

Indiana Health Industry Forum
Indianapolis, IN

California Healthcare Institute
La Jolla, CA

Iowa Biotechnology Association
Des Moines, IA

Kansas Bioscience Organization
Lenexa, KS

Life Science Alley
St. Louis Park, MN

Massachusetts Biotechnology Council
Cambridge, MA

MdBio
Rockville, MD

MichBio
Ann Arbor, MI

Missouri Biotechnology Association
Jefferson City, MO

**New Mexico Biotechnology &
Biomedical Association**
Albuquerque, NM

**North Carolina Biosciences
Organization**
Durham, NC

Omeris
Columbus, OH

Pennsylvania Bio
Malvern, PA

Puerto Rico Biotechnology Alliance
San Juan, PR

Tennessee Biotechnology Association
Nashville, TN

**Texas Healthcare and Bioscience
Institute**
Austin, TX

Virginia Biotechnology Association
Richmond, VA

**Washington Biotechnology &
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Seattle, WA

**Wisconsin Biotechnology & Medical
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