



March 9, 2011

The Honorable Doris O. Matsui  
222 Cannon House Office Building  
Washington, DC 20515

Dear Congresswoman Matsui,

On behalf of the California Healthcare Institute (CHI), the public policy association representing California's statewide life sciences sector – research universities and institutes, biotechnology, pharmaceutical, medical device companies, and venture capital firms – I am writing to thank you for your leadership as an original co-sponsor of H.R. 942, the "American Research and Competitiveness Act of 2011," which would strengthen and make permanent the federal research and development (R&D) tax credit.

California continues to lead the world in biomedical research and development (R&D) with thriving life sciences clusters throughout the state. The R&D tax credit encourages increased investment into the research that enables companies to develop new treatments, technologies and therapies for patients here at home and around the world, while also creating quality jobs that fuel economic growth in California and across the nation. CHI has long advocated for a permanent and strengthened credit, along with other policies to improve the business climate, protect patient safety, and produce valuable products.

As you are aware, however, financial incentives greatly influence private investments in the life sciences, and the requirement of annual extensions – resulting in uncertainty surrounding the future of the credit – have made long-term investment planning difficult for companies. R&D uncertainty drives capital away as companies seek out other markets or apply the credit less when making assessments about whether to invest in new, costly projects. According to the Information Technology and Innovation Foundation, the United States ranks No. 17 in R&D tax incentives out of the top 30 Organizations for Economic Co-Operation and Development (OECD) countries. The United States ranked No. 1 as recently as the 1990s.

Lastly, given our still uncertain economy in California and throughout the nation, it is especially important that we do everything we can to encourage, not hamper, investment, entrepreneurship and innovation. This legislation is a sound, long-term solution that would allow California and the nation to maintain its competitive edge in biomedical innovation. We look forward to working with you and other stakeholders as the measure proceeds through the Congress. Thank you again for your efforts and please let me know if we may be of any assistance.

Sincerely,

A handwritten signature in black ink that reads "Todd E. Gillenwater". The signature is written in a cursive style with a large, prominent 'T' and 'G'.

Todd Gillenwater  
Senior Vice President, Public Policy