

R&D Tax Credit — Good for Texas

DEAN ZERBE & KEVIN CORLEY, APRIL 26, 2013 REPRINTED FROM: WWW.BIZJOURNALS.COM

The Texas Legislature is considering putting into place an R&D tax credit for Texas businesses. This is good news for innovative businesses as well as jobs for the Lone Star State.

Texas — unlike 43 other states — does not have a state R&D tax credit. As a recent study by Austin's TXP Inc. has shown, this lack of an R&D tax credit puts Texas at a sharp disadvantage in terms of competing with other states for businesses engaged in R&D. Alliantgroup has seen first-hand the detrimental impact of Texas not having an R&D tax credit as we assist companies with their taxes across the country — companies deciding where they are going to locate and expand their operations.

The TXP study brings home what Texas could gain from having a state R&D tax credit: 97,600 permanent jobs; \$4.5 billion in additional wages; and \$13 billion in increased economic activity each year.

Hats off to State Rep. Murphy, R-Houston, and Sen. Robert Deuell, R-Greenville, for proposing a straight forward R&D tax credit. The credit is based on the federal R&D tax credit — the Alternative Simplified Credit — and at the end of the day a Texas business would get a state credit worth 50 percent of the federal credit for which they qualified. In general, the credit would be good against the franchise tax.

Many more companies than most people would imagine could take advantage of this tax credit. The biggest problem we find in working with thousands of companies on the R&D tax credit is self-censoring.

Texas businesses that can benefit from the federal R&D tax credit and the new Texas R&D tax credit (if it is signed into law) include: architects; engineers; computer software; manufacturing; food processing; agriculture; oil and gas; pharmaceutical — the list goes on and on. We find in practice that the tax benefits of an R&D credit can be significant even for a small or medium company.

Hopefully the Legislature will act on the measure and create a Texas R&D tax credit. Texas will gain much from such a credit, including new and better paying jobs, as well as improving the strength, diversity and competitiveness of the state's economy.

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