



Read today's paper
Sign in [Register](#)



Go to:

GuardianUnlimited **Guardian**Unlimited

Home UK Business Online World dispatch The Wrap Newsblog Talk Search
The Guardian World News guide Arts Special reports Columnists Audio Help Quiz

**Breaking
news
US**

Senate Tax Writers Examine Research Credit

Wednesday March 16, 2005 6:16 AM

By MARY DALRYMPLE

AP Tax Writer

Bush to Name
Portman Trade
Representative
2:16 pm

WASHINGTON (AP) - A multibillion-dollar tax credit for business research and development cannot be effectively administered by the IRS and might be misused, according to research to be presented to Senate tax writers on Wednesday.

Bush to Name U.S.
Trade
Representative
2:01 pm

The research raises questions even as companies press lawmakers to turn the credit, a temporary incentive renewed periodically by lawmakers, into a permanent incentive for business research.

Sex Offender Sought
in Fla.
Disappearance
1:46 pm

David Martin, chief executive officer of M-CAM Inc. and fellow at the University of Virginia, studied 200 companies that reported using the research and experimentation tax credit between 1998 and 2003 and found opportunities for abuse.

Kerry: Bush \$2.6T
Budget Plan
Dishonest
1:31 pm

“Given the absence of adequate reporting, no mechanism exists today to ensure that the U.S. taxpayer receives any of the intended benefit afforded this considerable public investment,” he said in testimony prepared for a Senate Finance Committee hearing on Wednesday.

Scott Peterson
Transferred to San
Quentin
1:16 pm

The research credit, expected to deliver \$4.8 billion to businesses this year, is one of a number of temporary tax credits getting closer scrutiny as lawmakers worry about escalating budget deficits.

Court Upholds
Mosque Leader's
Conviction
1:01 pm

“Congress is good at passing tax laws but not as good at looking at what works and what doesn’t,” said Senate Finance Committee Chairman Charles Grassley, R-Iowa. “The Finance Committee shouldn’t be a rubber stamp for tax breaks that cost the taxpayers billions of dollars a year.”

Peterson Taken to
Death Row in Calif.
1:01 pm

Peterson to Await
Death at San

Martin concluded the research credit cannot be properly administered because the Internal Revenue Service doesn’t

Quentin
1:01 pm

get enough information to ensure that companies follow the law.

Alaskans Wary of
Vote on Oil Drilling
1:01 pm

About 20 percent of the companies used the credit and received grants or contract research support from the government - a possible violation if the dual benefits applied to the same research projects.

House Pushes
Legislation in
Schiavo Case
12:46 pm

Martin also found ``ideal targets for abuse" among restrictions on the credit that the IRS may have trouble enforcing, such as the purpose and timing of the research.

From the Associated Press

The credit expires at the end of the year. President Bush, some lawmakers and many business have pressed tax writers to make it permanent so companies can rely on the incentive to plan extended research products.

Its supporters include the Senate Finance Committee's top Democrat, Max Baucus of Montana, who said the credit ``encourages companies to invest in America, leading to good, high-paying jobs that stay on U.S. soil."

The list of temporary tax credits routinely extended by lawmakers includes a deduction for teachers who buy school materials, credits for companies that hire welfare recipients and convicted felons, credits for renewable energy production and a business deduction for computer donations.

Former IRS Commissioner Donald Alexander called the research credit the ``poster child" of those routinely extended credits.

``This practice of numerous short extenders may well be good for tax lobbyists, but I doubt that improving their livelihood is an appropriate national goal," he said.

Advertiser links

Find Affordable Rates at Red Roof Inn

Looking for comfortable accommodations at an affordable...
redroof.com

Orbitz - Save on Hotels

Find a wide selection of hotels sorted by star rating,...
orbitz.com

Hotels - Compare Prices

Before booking a hotel, compare hotel room rates at Nextag.
nextag.com

Guardian Unlimited © Guardian Newspapers Limited 2005