Boehringer Ingelheim

COMMENTS PRESENTED TO THE FINANCE REVENUE AND BONDING COMMITTEE
March 9, 2016

HB 5595 AN ACT CONCERNING THE RESEARCH AND DEVELOPMENT TAX CREDIT

Senator Fonfara, Representative Berger, Senator Frantz, Representative Davis, and Members of the Finance, Revenue and Bonding Committee, Boehringer Ingelheim (BI) submits the following comments in support of **House Bill 5595 An Act Concerning the Research and Development Tax Credit.**

Boehringer Ingelheim is a family owned company committed to the discovery, development, manufacture and marketing of innovative health care products that have helped bring more health to patients and address unmet medical needs for more than 125 years. Boehringer Ingelheim was established in Connecticut in 1978, with our U.S. corporate headquarters located in the towns of Danbury and Ridgefield. As the State's largest headquartered biopharmaceutical company, BI **supports HB 5595** and asks the Committee to take favorable action on the bill which restores the utilization of the Research and Development (R&D) tax credit program back to the original 70 percent threshold.

As a longtime resident of Connecticut, Boehringer Ingelheim has made significant investments in R&D. Our approximately 2,700 employees come from 134 of Connecticut's 169 towns across the State. Through our ongoing work and investments, BI provides a significant economic footprint at the local, state and regional levels, much of which would not have been possible without the R&D tax credit. As a global company with a significant footprint in Connecticut, BI supports consistent tax policies that foster a stable and predictable environment for businesses across the state to grow and invest in the economy and the workforce. These policies, especially the R&D tax credit, create a competitive environment that helps Connecticut maintain its status as a center of excellence for research and development. Most businesses apply long-term strategic business plans 5-10 years into the future. Changes in tax policy such as the reduction in the utilization of tax credits hamper the ability to plan and make long-term business decisions.

In recent years BI has committed more than $600 million in capital investments, many of these are a direct result of the R&D tax credit. BI's economic footprint in the state extends beyond our capital investments; our company works with nearly 3,000 direct service providers across 150 towns in the State, which resulted in additional economic output of $84 million in goods and services in 2013 alone.

Tax credits like R&D are earned by in-state companies who make investments and create direct and indirect jobs to support the economy, while allowing the State to have a significant return on these types of investments. We respectfully emphasize to the Committee that the R&D tax credit program has provided Connecticut with a significant Return on Investment (ROI) since its inception. Based on Department of Revenue Services (DRS) information that ROI is 30:1 for the state – meaning that **for every $1 spent by the state on this program, companies who have earned these credits in turn invested $30 back into the state economy** [see attached chart]. We also note that ROI calculations are only based on the eligible tax credit activities and do not account for the additional indirect ROI such as construction, goods and support services that often accompany these investments over the lifetime of a project, as well as property taxes generated to local municipalities. Therefore, we believe the ROI generated by this program has far surpassed the estimated "revenue savings" projected from reducing the rate of the credit that can be utilized. By lowering the rate, the State is forgoing potential investments which have significant ROI to the economy and will likely be made elsewhere.

Additionally, the R&D tax credit is a critical program that not only helps maintain a competitive advantage with other neighboring states such as Massachusetts and New York, but in the global marketplace as well.

Unfortunately, during the 2015 June Special Session, these R&D credits were amended to incrementally phase back in over a four year timeframe, but this only devalued the credits because of the uncertainly and further unpredictability that resulted for the business community. Additionally, no other states in the region have a phased-in R&D tax credit program. BI commends the Committee's efforts to restore utilization of the R&D credit to the original (70%) level, which is a positive step towards demonstrating its commitment to innovation and the business community and investing in this high-skilled, high-wage industry. It is critical to recognize that tax credits are earned subsequent to the business enterprise incurring significant expenditures, of which the State will have received substantial upfront tax revenue for this investment.

According to the Office of Policy and Management (OPM) Connecticut has lost 40,000 high-wage jobs since 2008. We believe this is an area where Connecticut should commit to supporting and investing in industries that not only generate high-skilled, high-wage jobs, but support many other indirect services throughout our State.

Thank you for recognizing the economic importance of the bioscience industry and other R&D-driven industries here in the State and for your time and consideration of our comments.

If you have any questions please contact Joseph Oros, Regional Director, State Government Affairs, Boehringer Ingelheim at 860-781-2126.

We look forward to working with the Committee to further explore this proposal and offer ourselves as a resource, should you have any questions.

R&D TAX CREDIT

Sec. 12-217n

$3.14 Billion of in-state investments since 2001 to generate $109.2 Million of credits