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April 14, 2008

The Honorable Brian Bilbray
U.S. House of Representatives
227 Cannon House Office Building
Washington, DC 20515

The Honorable Gerald McNerney
U.S. House of Representatives
312 Cannon House Office Building
Washington, DC 20515

Dear Representatives McNerney and Bilbray:

On behalf of the California Healthcare Institute (CHI), whose more than 250 members include our state's premier biopharmaceutical and medical technology companies, venture capital firms, and academic research institutions, I am writing to thank you for your recent letter to House leadership supporting an extension and expansion of the research and development (R&D) tax credit.

California is the worldwide leader in biomedical R&D with over 2,700 biomedical companies and 100 public and private research institutions advancing scientific knowledge and developing new treatments for serious ailments such as cancer, diabetes, and HIV/AIDS, pain management, and cardiovascular, respiratory and infectious diseases. To succeed, more than any other industry, biomedical companies face extraordinary financial challenges, requiring investments of up to \$1 billion over 10 to 15 years before a product can progress from the lab, through the arduous Food and Drug Administration (FDA) approval process, to patients in need.

California's biomedical community invests some \$26 billion annually into R&D, with the average company channeling 42 percent of its revenues back into R&D. The long product development cycle for new drugs and medical technologies requires companies to plan key investment decisions years in advance. The federal R&D tax credit encourages innovation by creating incentives for research that companies could not otherwise afford. For California life sciences companies, the credit encourages increased investment into the research that enables the development of new treatments, technologies, and therapies for patients here at home and around the world, while also creating quality jobs that drive economic growth in our state.

Uncertainty surrounding year-to-year extensions of the federal R&D tax credit, and questions about its future, make long-term planning difficult, and limit the credit's usefulness in encouraging the kinds of investment it is intended to foster. Accordingly, we greatly appreciate your support for extending and strengthening the R&D tax credit and look forward to working with you to realize this important priority.

Sincerely,

A handwritten signature in black ink that reads 'Todd E. Gillenwater'.

Todd E. Gillenwater
Vice President, Public Policy

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