



James C. Greenwood
President & CEO

June 12, 2008

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives

The Honorable John Boehner
Republican Leader
U.S. House of Representatives

The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives

The Honorable Roy Blunt
Republican Whip
U.S. House of Representatives

Dear Speaker Pelosi and Leaders Hoyer, Boehner and Blunt:

On behalf of the Biotechnology Industry Organization (BIO) and its more than 1,100 member companies, academic institutions, state biotechnology centers and related organizations in all 50 states, I strongly urge you to include in the housing tax package currently under consideration a provision to allow for accelerated use of R&D and/or AMT credits in lieu of bonus depreciation (Section 605 of H.R. 3221, as approved by the Senate). This provision has the potential to significantly lower the after-tax cost of new capital investments by America's biotechnology companies and, as such, to help speed the development of new life-saving therapies to the marketplace.

The R&D / AMT acceleration provision will enable companies without federal tax liability to increase their capital investments by claiming some portion of their unused R&D and AMT credits. In effect, the proposal would allow companies that cannot benefit from the bonus depreciation incentive enacted into law earlier this year – because they have no federal income tax liability or for other reasons – to claim existing tax credits in an amount less than the benefit that the company would have otherwise received had it been eligible to utilize the bonus depreciation deduction. As such, this proposal ensures that all American businesses have an incentive to invest in new capital equipment and that no companies are left out simply because of their current business circumstance.

Investment incentives for America's biotechnology industry are particularly important. The U.S. biotechnology industry is very R&D-intensive with \$30 billion in 2007 invested in research for new therapies and cures. There are currently more than 400 biotech drug products and vaccines currently in clinical trials targeting more than 200 diseases including various cancers, Alzheimer's disease, heart disease, diabetes, multiple sclerosis, AIDS and arthritis. Yet the large majority of America's biotechnology companies are small, research-intensive companies that are not profitable because they do not yet have a product approved by the FDA for sale. These companies struggle to raise capital to finance R&D and to make necessary capital investments for the 8 to 12 years and \$800 million or more it will typically take to bring a new cutting-edge therapy to the

marketplace. For these companies, the ability to utilize some portion of their R&D credits would lower the cost of new capital investments and would provide a serious economic stimulus for companies not otherwise beneficiaries of bonus depreciation.

With a score of \$1.37 billion, this provision has minimal impact on federal revenue, yet the potential to significantly spur new business investments by a wide range of companies, including those in the biotechnology sector. Additionally, the provision will help to realize fully the intended economic stimulus benefits of bonus depreciation and will provide a much needed boost to those American businesses that need it most, such as those companies with high capital costs but little or no revenue.

For the aforementioned reasons, I respectfully request that you include the R&D / AMT acceleration provision in the final version of the housing tax package.

Sincerely,

A handwritten signature in black ink that reads "Jim Greenwood". The signature is written in a cursive style with a large, sweeping initial "J".

James C. Greenwood
President and CEO
Biotechnology Industry Organization