



January 25, 2008

The Honorable Harry Reid  
Senate Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Senate Republican Leader  
U.S. Senate  
Washington, DC 20510

Dear Senate Majority Leader Reid and Senate Republican Leader McConnell:

On behalf of AeA (American Electronics Association), the nation's largest high-tech trade association, I am writing in support of current bipartisan efforts to quickly develop an economic stimulus package to boost economic growth and ensure the continued strength of the U.S. economy. In addition to provisions intended to increase consumer spending, an economic stimulus package *must* include tax incentives for U.S. businesses in order to be effective. This will encourage businesses to make major investments in the immediate future, which will in turn impact job creation and economic growth.

Now that the House of Representatives and White House have reached an agreement, we urge you to include the following recommendations as the Senate considers its own package:

Enact a Multiyear Extension of a Strengthened Research and Development Tax Credit. The research and development (R&D) tax credit expired in 2007. This credit goes to the heart of U.S. competitiveness and innovation. The credit only applies to R&D conducted in the United States, and the vast majority of its dollars goes directly to employees' wages. The current lapse of the credit personifies an *anti-stimulus* by removing an incentive to invest in R&D in the United States. AeA strongly urges Congress to include a retroactive and multiyear extension of a strengthened credit in the stimulus package.

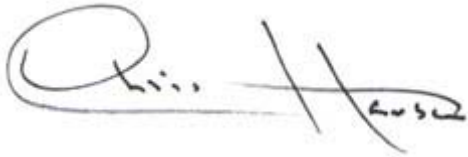
Encourage Companies to Repatriate Foreign Earnings. The United States' corporate tax system discourages companies from reinvesting their foreign earnings in the United States. AeA urges Congress to provide U.S. companies with a temporary reduced tax rate on repatriated foreign earnings to encourage companies to bring back overseas capital at a time when companies are facing a difficult credit crunch. This would infuse the U.S. economy with the funds needed to create new jobs and spur new investments. When such an effort was enacted in 2004, at least \$360 billion was brought back into the United States, generating billions of dollars in federal tax revenues.

Provide Incentives for New Investment. AeA urges Congress to include an investment tax credit (ITC) in its final economic stimulus package. This credit

would have the benefit of accelerating planned investments, which would result in an immediate economic boost. The Congressional Budget Office has also noted another benefit of this type of incentive: it would have little impact on state governments' revenues. Although the ITC is our preferred option, enhancing business investment incentives, such as immediate expensing and accelerated depreciation, would also encourage companies to make investments in technology.

AeA believes these recommendations will have an immediate and positive impact on the U.S. economy. We look forward to working with you on this important recovery package.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hansen". The signature is fluid and cursive, with a large initial "C" and a long horizontal stroke extending to the right.

Christopher W. Hansen  
President & CEO  
AeA

cc: The Honorable Nancy Pelosi  
The Honorable John Boehner