



Geithner Goes To Arkansas To Tout Corporate Tax Overhaul

By **John D. McKinnon**

When putting together big tax deals in Congress, sometimes it helps to start small.

Treasury Secretary **Tim Geithner** traveled to northwest Arkansas on Friday to visit the plant and labs of NanoMech, a business that uses nanotechnology to manufacture a range of products, including biomedical implant coatings. Mr. Geithner used the occasion to tout a permanent, expanded version of the federal tax credit for research and experimentation.



NanoMech Chairman & CEO, Jim Phillips with Timothy Geithner, U.S. treasury secretary and NanoMech's CTO, Dr. Ajay Malshe. Photographer: Andrew Harrer/Bloomberg

The expanded R&E credit – also known as the R&D tax credit — is a relatively small-bore change compared to the dramatic corporate rate cuts and other changes in multinational taxation that are under discussion in Congress. But the R&E credit could be a likely part of any deal, according to some business executives. It might even emerge as a centerpiece for a smaller package of changes, if a full-bore overhaul of the corporate tax code doesn't make it across the finish line.

The obstacles to broader changes are numerous – many big multinationals benefit from the current tax system and would have to give up valuable tax breaks to offset the budgetary cost of a lower corporate tax rate. Some small business owners also are nervous they could give up more than they get.

On Friday, Mr. Geithner focused on using the R&E credit to build support for the big tax deal. “This proposal should be part of a comprehensive reform of the corporate tax system to make American companies more competitive,” he said. “Reform that eliminates loopholes and preferences, lowers the tax rate on investments in the United States, and replaces a complicated muck of temporary provisions, with a more powerful, but more targeted set of permanent incentives, like the R&E tax credit.”

Treasury also released a report touting the economic benefits of their R&E proposal, which would support nearly 1 million research jobs in the U.S. President Obama made the proposal last September to increase the total amount of the R&E credit by 20% and simplify it.