



## Secretary Geithner Visits with NanoMech and NWA Business Leaders on Efforts to Create Jobs, Spur Economic Growth and Boost US Competitiveness

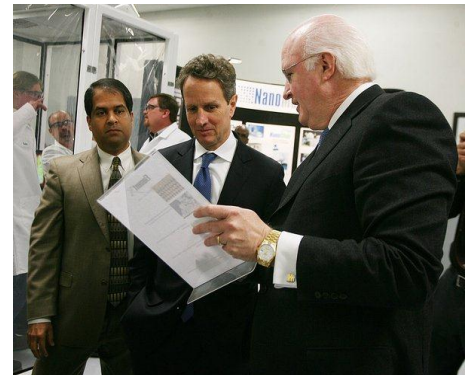
### *New Treasury Report Shows Research Tax Credit Will Leverage More Than \$100 Billion in U.S. Private-Sector Research Over the Next 10 Years, Support More Than 1 Million Research Workers*

**March 25, 2011 WASHINGTON** – Today, Secretary of the Treasury Tim Geithner visited Northwest Arkansas to meet with regional business leaders to discuss how government and the private sector can work together to out-innovate our competition, and to tour NanoMech – a technology company that demonstrates how innovative research can spur economic growth and high-wage jobs. In conjunction with the visit, the Treasury Department released a new report today detailing the economic benefits of the Research and Experimentation (R&E) tax credit and the President’s Fiscal Year 2012 Budget proposal to expand and simplify the credit and make it permanent.

“This Administration is committed to increasing our investment in innovation – investments that help create the high-tech, high-wage jobs that we need to remain the world’s most advanced economy,” Secretary Geithner said. “By helping to spur more research activity here at home, we can help drive the technological advancements that increase our productivity and improve the living standards of all Americans.”

Secretary Geithner’s visit was an opportunity to hear first-hand from leaders of Arkansas businesses – large and small – about their efforts to create the jobs of the 21<sup>st</sup> century. The group discussed measures designed to encourage innovation, investment and hiring, including the Administration’s proposal to expand the R&E tax credit and make it permanent. This tax credit has been extended on a temporary basis 14 times since its creation in 1981, often retroactively. This leaves businesses with uncertainty about whether the R&E tax credit will be available in the future, making it difficult to factor it into decisions to invest in long-term research projects that will not be completed prior to the credit’s expiration. Making the R&E tax credit permanent will strengthen its incentive effect by providing certainty to businesses that the credit will be available for future research investments.

The President proposed making the R&E credit permanent in his Fiscal Year (FY) 2010 and 2011 budgets and extended the current credit through 2011 as part of the bipartisan tax agreement in December 2010. In addition to making it permanent, the President proposed last September to increase the total amount of the R&E tax credit by 20 percent and simplify it, making it easier and more attractive for businesses to claim it for their research investments. This proposal was subsequently included in the President’s FY 2012 Budget.



U.S. Treasury Secretary Timothy Geithner, flanked Friday by NanoMech executives Ajay Malshe (left) and Jim Phillips. Secretary Geithner visits with Mr. Phillips and Dr. Malshe on NanoMech’s cutting edge technology. Photo by William Moore.



A new Treasury report shows that the President's proposal to expand the R&E tax credit and make it permanent will leverage more than \$100 billion in domestic private-sector research over the next 10 years. It will also support nearly 1 million research workers in the U.S. in professions that pay higher-than-average wages. The vast majority of research costs supported by the R&E credit are labor costs and much of the research that takes place in the United States is done by highly skilled employees in science and technology professions that pay more than 75 percent more than the average annual wage for all professions.

Following his roundtable meeting with regional business leaders, Secretary Geithner visited the manufacturing plant and labs of NanoMech, an award-winning, innovative business that uses nanotechnology to manufacture products with broad applications, including machining and manufacturing, lubrication and energy, and biomedical implant coatings.

Because the R&E credit was extended through 2011 as part of the bipartisan tax package, companies like NanoMech that increase their qualified research and development spending in 2011 can potentially benefit from the existing R&E credit. According to the Treasury report, in 2008, the most recent year for which data are available, nearly 70 percent of all R&E credits claimed went to corporations in the manufacturing sector such as NanoMech.



The NanoMech Factory & Labs facility located in Springdale, Arkansas. The 9,000 -square-foot building houses specialized equipment for producing Nanotech's core product lines. The facility also houses other laboratory facilities to support ongoing research and product development.

"With only 5 percent of the world's population, the United States must rely on our science and technology advantage to maintain global leadership and competitiveness through brilliant innovation," said NanoMech CEO Jim Phillips. "The Administration's plan to simplify and make Research and Experimentation tax credits permanent is critical and essential to providing support for U.S. companies of all sizes to continue creating technological breakthroughs that make our country the strongest financially and militarily in the world."

NanoMech and its workers also will benefit from a number of other Administration tax cuts and investment incentives in 2011. In particular, NanoMech plans to take advantage of the new business expensing proposal that the President signed as part of the tax package. The proposal will temporarily allow businesses to expense 100 percent of their investments through 2011, potentially generating more than \$50 billion in additional investment in the United States in 2011, which will help fuel job creation.

Because of the expensing proposal, NanoMech will immediately be able to expense 100 percent of the millions of dollars of equipment investments it has planned for 2011, potentially accelerating hundreds of thousands of dollars in tax cuts. NanoMech has already ordered new equipment in 2011 to support advanced manufacturing – equipment which arrived in the last few weeks – and has additional equipment on order.

