

July 21, 2022

Dear COMPETES/USICA Conference Committee Members:

Biocom California writes in support of the conference process for the America Creating Opportunities for Manufacturing, Pre-Eminence in Technology, and Economic Strength (COMPETES) Act and the U.S. Innovation and Competition Act (USICA). The bills would help support American innovation, strengthen supply chains, and protect American leadership and competitiveness.

Biocom California urges you to finalize legislation and ensure that the bill includes a reauthorization of the SBIR/STTR programs, funding for the manufacturing of semiconductor chips, the ability to fully expense the costs of research and development (R&D), and the Critical Supply Chain Resilience Program.

Biocom California is the largest, most experienced leader and advocate for California's life science sector, which includes biotechnology, pharmaceutical, medical device, genomics and diagnostics companies of all sizes, as well as research universities and institutes, clinical research organizations, investors and service providers. With more than 1,500 members dedicated to improving health and quality of life, Biocom California drives public policy initiatives to positively influence the state's life science community in the research, development, and delivery of innovative products. California's life sciences industry generates over \$400 billion in annual economic activity, supports almost 1.4 million jobs, and increases labor income by \$131 billion per year¹.

SBIR/STTR Reauthorization

Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants were created to increase the participation of small innovative companies in federally funded research and development (R&D) and have allowed small businesses and start-up companies to develop and commercialize new innovative technologies.

The Small Business Innovation Development Act of 1982, which established the SBIR program, mandates that federal agencies with extramural R&D budgets of \$100 million or more set aside a portion of these funds to finance an SBIR program. Agencies with extramural R&D budgets of \$1 billion or more are required to set aside a portion of these funds to finance an STTR program, under the Small Business Research and Development Enhancement Act of 1992. Currently, 11 federal agencies operate SBIR programs and 5 agencies operate STTR programs. The SBIR and STTR programs have been extended and reauthorized several times since their initial enactments. These programs are currently authorized through September 30, 2022 and will expire if Congress does not pass a reauthorization.

¹ Biocom California 2021 Economic Impact Report Databook. <https://www.biocom.org/eir/>



Many small companies rely on SBIR/STTR funding to conduct R&D and bring breakthrough products to patients. Federal R&D funding also provides a basis for scientific and technical validation, which attracts private investments. More urgently, the current drop in capital investments is forcing many small companies to rely exclusively on the SBIR/STTR programs to offset this funding loss. If the programs are discontinued or delayed, many research projects will be significantly disrupted at best or terminated altogether. An interruption of these programs would also hurt the many federal agencies that need stability and predictability to administer these grants.

Biocom California urges you to include a provision that extends the SBIR/STTR programs past the current September 30, 2022 expiration date.

Semiconductor Chips

Both the COMPETES Act and USICA include the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act. The bill would provide \$52 billion over five years for semiconductor research and development. Semiconductor chips are essential to the development and production of medical technologies, from health maintenance to life-sustaining products. While medical devices and life sciences companies account for a small percentage of the semiconductor chip market, they have an outsized impact on the lives of patients and families.

The current shortage of semiconductor chips has forced our member companies to execute alternative plans, including expending significant resources to reengineer products to work with the chips that are currently available. Companies are also seeing delayed or canceled chip orders, as well as rapidly increasing costs to acquire necessary chips at excessive prices, which will have long-term effects on healthcare costs and significantly affect the future availability of and access to these products for physicians and patients. Expanding the availability of semiconductor chips will provide relief to innovators and ensure that they can continue to bring innovative technologies to patients.

Biocom California urges you to include the CHIPS Act in the final legislation.

R&D Amortization

Since 1954, the U.S. tax code has allowed businesses to fully expense the costs of R&D and deduct these costs from their taxable income in the year that they occurred. The provision recognized the cost of conducting R&D in the U.S. and need to incentive future investments in innovation.

In 2017, Congress passed the Tax Cuts and Jobs Act, which required companies to amortize their R&D expenses over a period of years, effective January 1, 2022. This change will make R&D more costly, incentivize companies to move R&D offshore where R&D incentives are stronger, and cost Americans tens of thousands of jobs². It also makes the U.S. only one of two developed countries with an amortization requirement (the other being Belgium), while other countries like China are heavily investing in R& D and advanced manufacturing.

² See EY, Impact of the Amortization of Certain R&D Expenditures on R&D Spending in the U.S. at i (2019),

Biocom California urges you to include a provision to reverse this tax change that threatens innovation and jobs in America. H.R. 1304 and S. 749 have been introduced in the House and Senate to permanently repeal the amortization provision.

Critical Supply Chain Resilience Program

Section 20204 of the America COMPETES Act authorizes \$45 billion from FY 2022 to 2027 to provide grants, loans, and loan guarantees to strengthen the security and diversity of our domestic supply chains.

Providing incentives to domestic manufacturers, institutions of higher education, and nonprofit organizations to manufacture or acquire critical goods, build production facilities, purchase industrial equipment, and expand their U.S. manufacturing capabilities and footprint is essential to reducing America's dependence on foreign imports. In addition, it will create jobs and support rural economies.

Biocom California supports the inclusion of this important provision in the final legislation.

Thank you again for the opportunity to provide these comments. Biocom California appreciates your work on this important legislation and urges you to finalize legislation and include the provisions mentioned above.

If you have any questions about these comments, please contact Laure Clark, Biocom California's Senior Director of Federal Policy and Government affairs at lclark@biocom.org.

Sincerely,



Joe Panetta
President and CEO
Biocom California