

WANTS EXEMPTION TO HELP RESEARCH

Holland Asserts Development of Products Would Follow Lifting of Taxes

FEES TO GERMANY CITED

Sharp Rise Is Called Probable in \$50,000,000 Annually Paid for Patents, Etc.

By WILLIAM J. ENRIGHT

As a stimulant to business activity and the development of new products, the exemption of expenditures for authentic industrial research, facilities and activities from the income tax of corporations was urged here yesterday by Maurice Holland, director of the division of engineering and industrial research of the National Research Council.

At the same time, he stressed the point that unless we speed up American industrial research the \$50,000,000 a year this country pays to German science and technology in the form of licenses for patented processes and manufacturing rights, would probably be quadrupled within the next five to ten years.

Dozen Bills Up

Mr. Holland pointed out that there are about a dozen bills in Congress at the present time, covering the organization of science commissions, supreme economic councils, establishment of grants to stimulate fundamental research and similar plans. Congress has suddenly become "science-minded," he said, but the complexity of the various proposals will militate against their effectiveness.

Mr. Holland has forwarded his plan to Senator Robert M. LaFollette for his consideration, pointing out that there is precedent for such exemption. Not long ago France allowed her industrial companies to deduct the expenditures for research from income taxes, while in this country the State of Louisiana, among others, has encouraged industrial diversification and new industries by allowing them to be tax-free for a ten-year development period, he said.

He pointed out that, during consideration of the tax on corporate surpluses, many large companies had sought the advice of his organization as to whether or not they should proceed with plans for establishing research laboratories or expanding their programs. Exemption from income tax payments for authenticated research expenditures would set at rest such doubts and stimulate the program, he added.

This tax-exempt proposal would do three things, Mr. Holland continued:

1. It would put a premium on industrial research rather than a penalty;

2. Cut the lag of ten to eleven years from the time a product is discovered in the laboratories to the period when it reaches the mass market, is commercially exploited and used;

3. Encourage industry to do fundamental research.

"Research is a paying investment," Mr. Holland continued. "Returns of from five to ten to one are reported by representative laboratories in all fields of industry and all sizes of companies."

Revenue from New Products

The government will be aided, he pointed out, by obtaining income tax revenue on the sales of the new product developed, more than offsetting any loss incurred by exempting expenditures for research by corporations.

Mr. Holland asserted that heavy industries would also be aided.

"If the industrial plants of America were brought up to the standard of science and technology in other countries," he said, "we would have to scrap about \$20,000,000,000 of plants. With the new plant, better working conditions, improved processes and new products, we would soon absorb the cost."

There is another very potent reason why industrial research should be stimulated in this country, Mr. Holland said. Foreign countries, pressed by their lack of raw materials, have launched extensive campaigns to develop synthetic products and new uses for established products.