

## Doing Nothing's a Good Thing

Leonard E. Burman

*The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.*

---

Document date: December 08, 2006

Released online: December 08, 2006

### Marketplace

The conventional wisdom is that if this do-nothing failure of a Congress doesn't extend tax breaks for education, corporate R&D and other things, that's a bad thing.

But I think it's great!

You see, extending temporary tax measures has become so routine that it's passing for real action and hiding deep problems. Congress keeps kicking the can down the road instead of making permanent and sensible changes to tax policy. And taxpayers are getting duped.

Take the business R&D credit. If Congress extends it two years, it looks like a bargain at \$16 billion.

But the credit gets reinstated automatically every time it comes up for renewal. Its full cost over the next 10 years is closer to \$100 billion.

Making these tax breaks temporary also makes them less effective. The research credit, first enacted in the 1980s, is designed to spur innovation in American companies. Every few years it expires—like it did last year. That's a problem. Companies often have to plan research projects years in advance.

So, do they count on the research credit, even though it's technically scheduled to expire before they actually perform the research?

The risk that the credit might die diminishes its value as a spur to innovation. So, companies aren't doing as much fresh R&D as they might. And taxpayers aren't getting the bang per buck that they should from the tax credit.

And there's evidence that education tax breaks get built right into the cost of tuition. A better way to give students tax breaks would be to put the money into Pell Grants or more student loans.

Lawmakers say that they believe in honest budgeting. A good place to start is to look at expiring provisions, make the good ones permanent and let the ones that aren't worth the cost expire—permanently.

*Len Burman is director of the Urban-Brookings Tax Policy Center.*

### Other Publications by the Authors

---

- Leonard E. Burman

---

Usage and reprints: Most publications may be downloaded free of charge from the web site and may be used and copies made for research, academic, policy or other non-commercial purposes. Proper attribution is required. Posting UI research papers on other websites is permitted subject to prior approval from the Urban Institute—contact [publicaffairs@urban.org](mailto:publicaffairs@urban.org).

If you are unable to access or print the PDF document please [contact us](#) or call the Publications Office at (202) 261-5687.

**Disclaimer:** *The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Copyright of the written materials contained within the Urban Institute website is owned or controlled by the Urban Institute.*

