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Life Sciences Pennsylvania
Written Testimony Submitted in Advance of the
Senate Institutional Sustainability and Innovation Committee Hearing on the Research &
Development Tax Credit
May 7, 2026**

Chairs Farry, Kearney, Members of the Senate Committees on Institutional Sustainability and Innovation:

Thank you for the opportunity to provide testimony in advance of the Committee's hearing on the Research & Development Tax Credit, Thursday, May 7.

Life Sciences Pennsylvania is the statewide trade association representing nearly 950 member organizations in the Commonwealth's life sciences ecosystem. Those members are comprised of small biotech companies, large pharmaceutical manufacturers, academic research institutions, medical device and diagnostics makers, patient advocacy organizations, and myriad service providers related to the development of groundbreaking therapies and cures.

This sector, which is made up of more than 3,000¹ life sciences establishments in total, is researching, developing, and manufacturing novel medicines and technologies for millions of patients around the world facing thousands of unmet medical needs. Programs like the Research & Development Tax Credit incentivize investment in those biomedical innovations and help provide crucial capital to life sciences entities of all sizes and stages of development.

In addition to the efforts of life sciences establishments to help individuals live longer, healthier lives, those 3,000 organizations – academia, manufacturers, and R&D intensive companies – makeup a robust ecosystem that directly employs more than 102,000¹ individuals and accounts for more than \$61 billion¹ in direct annual economic impact in the Commonwealth. Additionally, there is a significant multiplier effect of approximately three to four times those numbers.

Despite those positive numbers, the likelihood of success in the life sciences (particularly the biopharmaceutical sector) industry is low – almost 90² percent of the new drug applications filed with the FDA fail to receive approval. Science is incremental, and many companies will work tirelessly for the better part of a decade only to find they must start all over again, and all the resources – costs that can be in excess of \$2 billion² – poured into their work are sunk costs.

Those statistics are some of the reasons why these hearings are so important – policies put forth by government at the state (and federal) level have a significant effect on life sciences company growth and success, which is largely based on a company's ability to attract investment and to continue to allocate resources to research and development.

¹ [Pennsylvania Life Sciences Industry](#), KPMG, September 2022

² [Research and Development in the Pharmaceutical Industry](#), Congressional Budget Office (CBO), April 2021

As noted previously, significant capital is expended by small and early-stage companies moving medicines and technologies through the U.S. Food and Drug Administration review process. When a product does succeed – in this case through approval by the FDA – the innovation continues. Understanding better delivery systems, realizing efficiencies in manufacturing complex medicines, and developing new drugs and technologies for growing companies, are all a part of building and sustaining a successful life sciences company.

Research & Development Tax Credits are critically important to the state’s life sciences economy as it benefits business of all sizes and can be utilized at all stages of company growth. In addition to its utilization by companies of all sizes, it is also industry agnostic, and I know we have additional testifiers that can speak to the program’s benefits for other sectors.

I will focus my specific testimony on the life sciences sector. The biopharmaceutical industry in particular regularly invests more of its revenues in R&D than any other industry. A 2021 Congressional Budget Office report³ notes that, for many years the number averaged 18-20 percent, but in recent years that number has exceeded 25 percent. A more recent study put that number as high as 34 percent⁴.

As such, Pennsylvania’s life sciences sector is a lead utilizer of the R&D Tax Credit. In 2024, the total number of awards was 637 companies receiving the full allocation of \$60 million in tax credits. Based on our analysis of the credit awardees, approximately 78 of those recipients are life sciences companies. In total, those 78 companies received just under \$21.5 million in tax credits⁵.

Those recipients range from large pharmaceutical manufacturers and medical technology companies to early-stage, pre-revenue companies.

Unfortunately, Pennsylvania is missing an opportunity to more substantively support these companies and their work – along with that of the other sectors benefiting from the tax credit – due to the seemingly arbitrary cap on the amount of total credits that can be awarded.

While the program is capped at \$60 million per year, it is regularly oversubscribed. Indeed, the program annually receives more than \$140 million per year in applications. Over the previous five years, the average annual applications total \$166 million - \$100 million more than the current cap on the program.

Additionally, despite continued strong demand for the program, the last substantial increase the program received was in 2011 when the cap was increased from \$18 million to \$55 million (though it did receive a small bump in 2023 of \$5 million to bring it to its current cap of \$60 million).

Life Sciences PA appreciates the legislation, led by Senator Farry and Senator Santarsiero, that would double the credit from \$60 million to \$120 million, and we strongly support this proposal. Yet, even with the doubling the \$120 million total would still fall short of the total number of credits requested over the last several years. I would argue the average would actually be higher over the past two years if not

³ [Research & Development in the Pharmaceutical Industry](#), Congressional Budget Office, April 2021

⁴ [Comprehensive Measurement of Biopharmaceutical R&D Investment](#), Harvard University, J&J, and Analysis Group, September 2024

⁵ [The Research & Development Tax Credit Report to the Pennsylvania General Assembly](#), PA Department of Revenue, October 2025

for changes to R&D expensing at the federal level – and now at the state level – that requires companies to amortize their R&D expenses over five years, as opposed to being able to deduct them immediately.

Specific to our membership, and the start-up nature of the life sciences ecosystem, I do want to acknowledge the important small business set aside that exists in this program. Of the \$60 million dollar cap, 20 percent (or \$12 million) must be set aside for small businesses. Though those companies have not met that threshold in recent years, ensuring the earliest stage companies have access to this resource is critically important for their growth.

More important than the set aside, however, is the fact that R&D Tax Credits are tradable for early-stage companies. While 39 other states offer R&D tax credits, Pennsylvania is one of only a handful of states that permits early-stage companies to sell those credits to larger companies – at approximately 80-90 cents on the dollar. This revenue stream provides companies with critical capital to fund their research and development work.

Finally, and perhaps most important from a fiscal perspective, is how the program calculates the credit and the positive marks the program receives from the Independent Fiscal Office. The very nature of the program requires companies to show an increase in year-over-year R&D expenditures to be eligible for the tax credits. Therefore, if a company is not increasing their R&D expenditures in the commonwealth, they cannot benefit from the program. According to an IFO report⁶ released in 2023, the program is accomplishing its legislative intent. This report reviewed the program from 2019 through 2023 and found that, among other things, it:

- Net Tax Revenue Impact +\$6.1 million
- Net ROI +12.0 cents per dollar
- Jobs Created 915 FTEs
- Many studies have found that \$1.00 of tax credit could incentivize between \$1.00 to \$1.50 of private R&D spending.

Simply put, Life Sciences PA believes the R&D Tax Credit works, works well, and is one of the few longstanding programs that Pennsylvania should increase investment in. However, because I have the opportunity, I will also note several other programs important to the success of Pennsylvania's life sciences ecosystem. Those programs include the creation of a state SBIR/STTR matching program (thank you to Senator Farry and Senator Haywood for their leadership on that front); the ability for companies to sell Net Operating Losses, and the \$100 million 'Innovate in PA' 2.0 program put forth by the Governor in his budget proposal.

All these ideas become especially important when you realize other states are not sitting idly by in their efforts to attract life sciences and innovative companies – and the talent they employ – to their borders. Life sciences, and other growth industries, face steep competition from our peer states (e.g. Massachusetts, New York, Ohio, and North Carolina) if we simply remain content with the industry as outlined above.

That is why conversations like this one are helpful to generate new ideas and policies that can forge a path forward for Pennsylvania's growth.

⁶ [Summary of Tax Credit Reviews](#), Independent Fiscal Office, October 2023

Before concluding, I will also note the benefits of investing in this ecosystem are not solely confined to individuals with an MD, or Ph.D. behind their name. Life sciences investment benefits many Pennsylvanians. Supporting industries like manufacturing, logistics and agriculture, and individuals in the building trades and construction industries benefit significantly from the expansion of life sciences. This work is also invaluable to the ultimate beneficiary of these efforts – patients facing unmet medical needs.

Further these developments are not confined to Philadelphia and Pittsburgh. Though life sciences activity tends to be most heavily concentrated around urban areas, there are many projects throughout Pennsylvania that benefit from investment in the ecosystem.

Life Sciences PA and its member organizations – some of whom are participating in the hearing – are happy to be a resource to this Committee and look forward to working with it, the General Assembly and Governor’s administration on policies that support Pennsylvania’s life sciences economy.

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