

Vermont House Ways and Means Committee March 19, 2014

- Good morning and thank you for the opportunity to speak on behalf of a long-time Vermont Company
- My Name is Chris Knapp and I am the Chief Financial Officer for Country Home Products
- I have been the CFO for the past sixteen years
- I am also a Board Member for the Addison County Economic Development Corporation
- Country Home Products is national direct marketer and retailer of outdoor power equipment
- We started in Vermont in 1985 and all of our key operations including marketing, manufacturing, warehousing and Research and Development are done here in Vermont.
- Our Company designs and oversees engineering for approx. 90% of the products we sell and is known as an innovator of outdoor power products within the OPE industry
- Our Company employs 186 regular full time employees and approx. 60 full time seasonal employees for up to ten months of each year, including 8 mechanical engineers and 3 testing technicians for both new product development and sustaining engineering, as well as employing engineering interns and many local consultants throughout the year
- From an Economic Impact Study conducted by ERP on our company, we know that our 186 jobs support another 186 jobs within the state of Vermont
- Country Home Products is a five time winner of the BEST PLACES TO WORK IN VERMONT award
- R&D is a critical part of the Company's success and ability to compete on a national level
- Each year we face more and more competition from national and international competitors
- Our company has had to invest significant resources into R&D to be able to reduce product price points, differentiate product and develop new technologies
- Beginning in 2007, the company has been steadily increasing the size of its R&D team to the point where the company now spends approx. 1.2 million dollars annually
- And with the help of both federal and state tax credits, we will continue to increase our annual spending on R&D
- As with any financial decision, the tax affect is an inherent part of the decision process
- The company receives approx. \$30,000 in Vermont Tax Credits annually
- These credits have allowed the company to make larger expenditures than it would otherwise make without the tax credit.
- Businesses do not make R&D investment decisions year to year, it is a long term strategic investment that requires a company to recruit talent, sometimes from out of state at substantial cost, make capital expenditures and create infrastructure to support the R&D process.
- Currently, we are making R&D decisions that will affect our company 2 to 3 years from now.
- Encouraging existing Vermont based businesses to invest in R&D and attracting new businesses to Vermont, both of which include the hiring of personnel, using local services and making capital expenditures, will help increase tax revenues.
- Changing established rules on which businesses may have already made long-term decisions on for R&D spending isn't fair and sends the wrong message to those companies considering R&D initiatives.
- Since the federal and Vermont tax credits are linked, I would encourage you to consider allowing any federal expansion of the credit to pass through to the Vermont credits
- I also want to state that making our company's information publicly available to our competitors does not help our ability to compete.
- Thank you for listening to this statement on behalf of Country Home Products