



SENATE BILL No. 466

April 25, 1995, Introduced by Senators SCHUETTE, GOUGEON, ROGERS, SHUGARS, BOUCHARD, DUNASKISS, BENNETT, MC MANUS, CARL and STEIL and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

A bill to amend Act No. 228 of the Public Acts of 1975, entitled "Single business tax act," as amended, being sections 208.1 to 208.145 of the Michigan Compiled Laws, by adding section 37c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 228 of the Public Acts of 1975, as
2 amended, being sections 208.1 to 208.145 of the Michigan Compiled
3 Laws, is amended by adding section 37c to read as follows:

4 SEC. 37C. (1) FOR TAX YEARS BEGINNING AFTER JANUARY 1,
5 1995, A TAXPAYER MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED UNDER
6 THIS ACT FOR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES AS
7 DETERMINED IN THIS SECTION.

8 (2) EXCEPT AS PROVIDED IN SUBSECTION (3), THE CREDIT ALLOWED
9 UNDER THIS SECTION IS EQUAL TO 5% OF THE AMOUNT DETERMINED BY

1 SUBTRACTING THE CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT
2 PERCENTAGE FROM THE BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT
3 PERCENTAGE AND THEN MULTIPLYING THE RESULTING PERCENTAGE BY THE
4 BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES.

5 (3) FOR TAXPAYERS THAT HAVE NOT CLAIMED A CREDIT UNDER SEC-
6 TION 41 OF THE INTERNAL REVENUE CODE FOR THE 5 YEARS IMMEDIATELY
7 PRECEDING THE TAX YEAR IN WHICH A TAXPAYER FIRST CLAIMS A CREDIT
8 UNDER THIS SECTION, THE CREDIT SHALL BE DETERMINED AS FOLLOWS:

9 (A) FOR THE FIRST YEAR THAT A TAXPAYER CLAIMS A CREDIT UNDER
10 THIS SECTION, THE CREDIT EQUALS 10% OF THE CREDIT YEAR QUALIFIED
11 RESEARCH AND DEVELOPMENT EXPENSES OF THE TAXPAYER.

12 (B) FOR THE SECOND YEAR THAT A TAXPAYER CLAIMS A CREDIT
13 UNDER THIS SECTION, THE CREDIT EQUALS 11% OF THE CREDIT YEAR
14 QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES OF THE TAXPAYER.

15 (C) FOR THE THIRD YEAR THAT A TAXPAYER CLAIMS A CREDIT UNDER
16 THIS SECTION, THE CREDIT EQUALS 12% OF THE CREDIT YEAR QUALIFIED
17 RESEARCH AND DEVELOPMENT EXPENSES OF THE TAXPAYER.

18 (D) FOR THE FOURTH YEAR THAT A TAXPAYER CLAIMS A CREDIT
19 UNDER THIS SECTION, THAT CREDIT SHALL BE DETERMINED USING THE
20 FORMULA UNDER SUBSECTION (2) EXCEPT THAT THE BASE YEAR QUALIFIED
21 RESEARCH AND DEVELOPMENT PERCENTAGE AND THE BASE YEAR QUALIFIED
22 RESEARCH AND DEVELOPMENT AMOUNT SHALL BE DETERMINED USING THE 3
23 YEARS IMMEDIATELY PRECEDING THE CREDIT YEAR.

24 (E) FOR THE FIFTH YEAR THAT A TAXPAYER CLAIMS A CREDIT UNDER
25 THIS SECTION, THAT CREDIT SHALL BE DETERMINED USING THE FORMULA
26 UNDER SUBSECTION (2) EXCEPT THAT THE BASE YEAR QUALIFIED RESEARCH
27 AND DEVELOPMENT PERCENTAGE AND THE BASE YEAR QUALIFIED RESEARCH

1 AND DEVELOPMENT AMOUNT SHALL BE DETERMINED USING THE 4 YEARS
2 IMMEDIATELY PRECEDING THE CREDIT YEAR.

3 (4) FOR TAXPAYERS THAT CLAIMED A CREDIT UNDER SECTION 41 OF
4 THE INTERNAL REVENUE CODE FOR 1 OR MORE OF THE 5 YEARS IMMEDI-
5 ATELY PRECEDING THE FIRST YEAR IN WHICH THE TAXPAYER CLAIMS A
6 CREDIT UNDER THIS SECTION, THE CREDIT SHALL BE DETERMINED AS IF
7 THE YEARS FOR WHICH THE FEDERAL CREDIT WAS CLAIMED WERE YEARS FOR
8 WHICH A CREDIT WAS CLAIMED UNDER THIS SECTION.

9 (5) IF THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX
10 YEAR AND ANY UNUSED CARRYFORWARD OF THE CREDIT ALLOWED BY THIS
11 SECTION EXCEED THE TAXPAYER'S TAX LIABILITY FOR THE TAX YEAR,
12 THAT PORTION THAT EXCEEDS THE TAX LIABILITY FOR THE TAX YEAR
13 SHALL NOT BE REFUNDED BUT MAY BE CARRIED FORWARD TO OFFSET TAX
14 LIABILITY IN SUBSEQUENT TAX YEARS FOR 10 YEARS OR UNTIL USED UP,
15 WHICHEVER OCCURS FIRST.

16 (6) AS USED IN THIS SECTION:

17 (A) "BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES"
18 MEANS THE QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES OF THE TAX-
19 PAYER FOR THE 5 YEARS IMMEDIATELY PRECEDING THE CREDIT YEAR
20 DIVIDED BY 5.

21 (B) "BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT
22 PERCENTAGE" MEANS THE QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES
23 OF THE TAXPAYER FOR THE 5 YEARS IMMEDIATELY PRECEDING THE CREDIT
24 YEAR DIVIDED BY THE GROSS RECEIPTS OF THE TAXPAYER FOR THAT SAME
25 PERIOD.

26 (C) "CREDIT YEAR" MEANS A YEAR IN WHICH A CREDIT UNDER THIS
27 SECTION IS CLAIMED.

1 (D) "CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT
2 EXPENSES" MEANS QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES OF
3 THE TAXPAYER FOR THE YEAR IN WHICH A CREDIT IS CLAIMED.

4 (E) "CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT
5 PERCENTAGE" MEANS QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES OF
6 THE TAXPAYER FOR THE YEAR IN WHICH A CREDIT IS CLAIMED DIVIDED BY
7 THE GROSS RECEIPTS OF THE TAXPAYER FOR THE SAME YEAR.

8 (F) "QUALIFIED RESEARCH AND DEVELOPMENT" MEANS QUALIFIED
9 RESEARCH AS DEFINED IN SECTION 41(d) OF THE INTERNAL REVENUE
10 CODE.

11 (G) "QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES" MEANS
12 QUALIFIED RESEARCH EXPENSES AS DEFINED IN SECTION 41(b) OF THE
13 INTERNAL REVENUE CODE.