

HOUSE BILL No. 5052

July 15, 1997, Introduced by Reps. Schroer and Profit and referred to the Committee on Tax Policy.

A bill to amend 1975 PA 228, entitled
"Single business tax act,"
(MCL 208.1 to 208.145) by adding section 39c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 39C. (1) FOR TAX YEARS BEGINNING AFTER JANUARY 1,
2 1997, A TAXPAYER MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED UNDER
3 THIS ACT FOR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES AS
4 DETERMINED IN THIS SECTION.
5 (2) EXCEPT AS PROVIDED IN SUBSECTION (3), THE CREDIT ALLOWED
6 UNDER THIS SECTION IS EQUAL TO 5% OF THE AMOUNT DETERMINED BY
7 SUBTRACTING THE BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT PER-
8 CENTAGE FROM THE CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT
9 PERCENTAGE AND THEN MULTIPLYING THE RESULTING PERCENTAGE IF THAT
10 PERCENTAGE IS GREATER THAN ZERO BY THE BASE YEAR QUALIFIED
11 RESEARCH AND DEVELOPMENT EXPENSES.

1 (3) FOR TAXPAYERS THAT HAVE NOT CLAIMED A CREDIT UNDER
2 SECTION 41 OF THE INTERNAL REVENUE CODE FOR ALL OF THE 5 YEARS
3 IMMEDIATELY PRECEDING THE TAX YEAR IN WHICH A TAXPAYER FIRST
4 CLAIMS A CREDIT UNDER THIS SECTION, THE CREDIT SHALL BE DETER-
5 MINED AS FOLLOWS:

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

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

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

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

21 (E) FOR THE FIFTH YEAR THAT A TAXPAYER CLAIMS A CREDIT UNDER
22 THIS SECTION, THAT CREDIT SHALL BE DETERMINED USING THE FORMULA
23 UNDER SUBSECTION (2) EXCEPT THAT THE BASE YEAR QUALIFIED RESEARCH
24 AND DEVELOPMENT PERCENTAGE AND THE BASE YEAR QUALIFIED RESEARCH
25 AND DEVELOPMENT EXPENSES SHALL BE DETERMINED USING THE 4 YEARS
26 IMMEDIATELY PRECEDING THE CREDIT YEAR.

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

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

14 (6) AS USED IN THIS SECTION:

15 (A) "BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES"
16 MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND DEVELOPMENT OF THE
17 TAXPAYER FOR THE 5 YEARS IMMEDIATELY PRECEDING THE CREDIT YEAR
18 DIVIDED BY 5.

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

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

26 (D) "CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT
27 EXPENSES" MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND

1 DEVELOPMENT OF THE TAXPAYER FOR THE YEAR IN WHICH A CREDIT IS
2 CLAIMED.

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

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

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