

SENATE BILL NO. 25

January 13, 1999, Introduced by Senator SCHUETTE and referred to the Committee on Finance.

A bill to amend 1975 PA 228, entitled
"Single business tax act,"
(MCL 208.1 to 208.145) by adding section 37e.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 37E. (1) FOR TAX YEARS BEGINNING ON AND AFTER JANUARY
2 1, 1999, A TAXPAYER MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED
3 UNDER 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 1.25% OF THE AMOUNT DETERMINED BY
7 SUBTRACTING THE BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT
8 EXPENSES FROM THE CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT
9 EXPENSES.

10 (3) SUBJECT TO SUBSECTION (4), TAXPAYERS THAT HAVE GROSS
11 RECEIPTS OF LESS THAN \$20,000,000.00 FOR THE TAX YEAR AND HAVE

1 NOT CLAIMED A CREDIT UNDER SECTION 41 OF THE INTERNAL REVENUE
2 CODE FOR ALL OF THE 5 YEARS IMMEDIATELY PRECEDING THE TAX YEAR IN
3 WHICH THE TAXPAYER FIRST CLAIMS A CREDIT UNDER THIS SECTION SHALL
4 DETERMINE THE CREDIT FOR EACH TAX YEAR AS FOLLOWS:

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

9 (B) FOR THE FOURTH YEAR THAT A TAXPAYER CLAIMS A CREDIT
10 UNDER THIS SECTION, THE CREDIT EQUALS 7% OF THE CREDIT YEAR QUAL-
11 IFIED RESEARCH AND DEVELOPMENT EXPENSES OF THE TAXPAYER.

12 (C) FOR THE FIFTH YEAR THAT A TAXPAYER CLAIMS A CREDIT UNDER
13 THIS SECTION, THE CREDIT SHALL BE DETERMINED USING THE FORMULA
14 UNDER SUBSECTION (2) EXCEPT THAT THE BASE YEAR QUALIFIED RESEARCH
15 AND DEVELOPMENT EXPENSES SHALL BE DETERMINED USING THE 4 YEARS
16 IMMEDIATELY PRECEDING THE CREDIT YEAR.

17 (4) SUBSECTION (3) SHALL NOT BE USED TO CALCULATE THE CREDIT
18 ALLOWED UNDER THIS SECTION BY A TAXPAYER THAT IS A MEMBER OF AN
19 AFFILIATE GROUP AS DEFINED BY THIS ACT, A CONTROLLED GROUP OF
20 CORPORATIONS AS DEFINED IN SECTION 1563 OF THE INTERNAL REVENUE
21 CODE AND FURTHER DESCRIBED IN 26 C.F.R. 1.414(b)-1 AND 1.414(c)-1
22 TO 1.414(c)-5, OR AN ENTITY UNDER COMMON CONTROL AS DEFINED IN
23 THE INTERNAL REVENUE CODE.

24 (5) FOR TAXPAYERS THAT CLAIMED A CREDIT UNDER SECTION 41 OF
25 THE INTERNAL REVENUE CODE FOR 1 OR MORE OF THE 5 YEARS IMMEDI-
26 ATELY PRECEDING THE FIRST YEAR IN WHICH THE TAXPAYER CLAIMS A
27 CREDIT UNDER THIS SECTION, THE CREDIT SHALL BE DETERMINED AS IF

1 THE YEARS FOR WHICH THE FEDERAL CREDIT WAS CLAIMED WERE YEARS FOR
2 WHICH A CREDIT WAS CLAIMED UNDER THIS SECTION.

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

10 (7) AS USED IN THIS SECTION:

11 (A) "BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES"
12 MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND DEVELOPMENT OF THE
13 TAXPAYER FOR THE 5 YEARS IMMEDIATELY PRECEDING THE CREDIT YEAR
14 DIVIDED BY 5.

15 (B) "CREDIT YEAR" MEANS A YEAR IN WHICH A CREDIT UNDER THIS
16 SECTION IS CLAIMED.

17 (C) "CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT" MEANS
18 THE EXPENSES FOR QUALIFIED RESEARCH AND DEVELOPMENT OF THE TAX-
19 PAYER FOR THE YEAR IN WHICH A CREDIT IS CLAIMED.

20 (D) "QUALIFIED RESEARCH AND DEVELOPMENT" MEANS QUALIFIED
21 RESEARCH AS DEFINED IN SECTION 41(d) OF THE INTERNAL REVENUE CODE
22 THAT IS CONDUCTED IN THIS STATE. IF SECTION 41(d) OF THE INTER-
23 NAL REVENUE CODE IS NOT IN EFFECT FOR ANY PART OF A TAX YEAR,
24 "QUALIFIED RESEARCH AND DEVELOPMENT" MEANS QUALIFIED RESEARCH AS
25 THAT TERM WAS DEFINED IN SECTION 41(d) OF THE INTERNAL REVENUE
26 CODE ON THE DAY BEFORE SECTION 41(d) OF THE INTERNAL REVENUE CODE
27 EXPIRED.

1 (E) "QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES" MEANS
2 QUALIFIED RESEARCH EXPENSES AS DEFINED IN SECTION 41(b) OF THE
3 INTERNAL REVENUE CODE. IF SECTION 41(b) OF THE INTERNAL REVENUE
4 CODE IS NOT IN EFFECT FOR ANY PART OF A TAX YEAR, "QUALIFIED
5 RESEARCH AND DEVELOPMENT EXPENSES" MEANS QUALIFIED RESEARCH
6 EXPENSES AS THAT TERM WAS DEFINED IN SECTION 41(b) OF THE INTER-
7 NAL REVENUE CODE ON THE DAY BEFORE SECTION 41(b) OF THE INTERNAL
8 REVENUE CODE EXPIRED.