

# HOUSE BILL No. 4971

June 16, 2005, Introduced by Reps. Sheen and Drolet 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 35e.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1        SEC. 35E. (1) FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1,  
2        2006, A TAXPAYER THAT IS A RESEARCH AND DEVELOPMENT COMPANY MAY  
3        CLAIM A CREDIT AGAINST THE TAX IMPOSED BY THIS ACT EQUAL TO 1.2% OF  
4        COMPENSATION AS DEFINED IN SECTION 4 FOR SERVICES PERFORMED IN THIS  
5        STATE THAT ARE RESEARCH OR EXPERIMENTAL ACTIVITIES.

6        (2) AN AFFILIATED GROUP AS DEFINED IN THIS ACT, A CONTROLLED  
7        GROUP OF CORPORATIONS AS DEFINED IN SECTION 1563 OF THE INTERNAL  
8        REVENUE CODE AND FURTHER DESCRIBED IN 26 CFR 1.414(B)-1 AND  
9        1.414(C)-1 TO 1.414(C)-5, OR AN ENTITY UNDER COMMON CONTROL AS  
10        DEFINED BY THE INTERNAL REVENUE CODE SHALL NOT CLAIM THE CREDIT

1 ALLOWED BY THIS SECTION AS A RESEARCH AND DEVELOPMENT COMPANY  
2 UNLESS THE BUSINESS ACTIVITIES OF THE ENTITIES ARE CONSOLIDATED FOR  
3 THE PURPOSE OF DETERMINING WHETHER THE TAXPAYER IS A RESEARCH AND  
4 DEVELOPMENT COMPANY. FOR PURPOSES OF THIS SUBSECTION, BUSINESS  
5 ACTIVITIES INCLUDE ALL ACTIVITIES WITHIN AND OUTSIDE OF THIS STATE.

6 (3) THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX YEAR  
7 SHALL NOT BE REFUNDED AND SHALL NOT BE CARRIED FORWARD AS AN OFFSET  
8 TO THE TAX LIABILITY IN SUBSEQUENT TAX YEARS.

9 (4) THE CREDIT UNDER THIS SECTION SHALL BE CLAIMED AGAINST THE  
10 TAXPAYER'S TAX LIABILITY AS DETERMINED AFTER THE APPLICATION OF THE  
11 CREDIT ALLOWED UNDER SECTION 35D.