

HOUSE SUBSTITUTE FOR SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 5100

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.847) by adding section 677; and to repeal acts  
and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 677. (1) Subject to the limitations under this section,  
2 for tax years beginning on and after January 1, 2025, a taxpayer  
3 that is an authorized business may claim a credit against the tax  
4 imposed under this part as follows:

5       (a) For an authorized business with 250 or more employees, an  
6 amount equal to the sum of 3% of the taxpayer's qualifying research  
7 and development expenses incurred during the calendar year ending  
8 with or within the tax year up to the base amount and 10% of the

1 taxpayer's qualifying research and development expenses incurred  
2 during the calendar year ending with or within the tax year in  
3 excess of the base amount. The credit amount calculated under this  
4 subdivision must not exceed \$2,000,000.00 per tax year per  
5 taxpayer.

6 (b) For an authorized business with less than 250 employees,  
7 an amount equal to the sum of 3% of the taxpayer's qualifying  
8 research and development expenses incurred during the calendar year  
9 ending with or within the tax year up to the base amount and 15% of  
10 the taxpayer's qualifying research and development expenses  
11 incurred during the calendar year ending with or within the tax  
12 year in excess of the base amount. The credit amount calculated  
13 under this subdivision must not exceed \$250,000.00 per tax year per  
14 taxpayer.

15 (2) Subject to the limitations under this section, a taxpayer  
16 that is an authorized business may claim an additional credit equal  
17 to 5% of the qualifying research and development expenses used to  
18 calculate the credit under subsection (1) that were incurred in  
19 collaboration with a research university in this state pursuant to  
20 a written agreement between the taxpayer and the research  
21 university. In order to claim the additional credit under this  
22 subsection, if requested by the department, the taxpayer must  
23 provide the department with a copy of the written agreement with  
24 the research university. The additional credit allowed under this  
25 subsection must not exceed \$200,000.00 per tax year per taxpayer.

26 (3) To be eligible for a credit under this section, a taxpayer  
27 must submit, in a form and manner as prescribed by the department,  
28 a tentative claim for which a credit under this section is sought  
29 to the department on or before April 1, 2026 for tentative claims

1 made for qualifying research and development expenses incurred  
2 during the 2025 calendar year and for tentative claims made for  
3 qualifying research and development expenses incurred for each  
4 calendar year after 2025 on or before March 15 after the calendar  
5 year ending with or within the tax year for which the taxpayer  
6 intends to submit a claim for the credit on the taxpayer's annual  
7 return required under this part. The tentative claim required under  
8 this subsection must include, at a minimum, all of the following  
9 information:

10 (a) If the credit is to be claimed under subsection (1) (a) or  
11 (b) .

12 (b) The amount of qualifying research and development expenses  
13 incurred for which a credit is being claimed.

14 (c) If an additional credit is to be claimed under subsection  
15 (2) for collaboration with a research university.

16 (4) The department shall review all tentative claims submitted  
17 under subsection (3) and if the amount of tentative claims  
18 submitted exceeds the amount of credits allowed under subsection  
19 (5), the department shall publish a notice on its website notifying  
20 taxpayers of the adjustment to the tentative claims for that  
21 calendar year as required under subsection (5) .

22 (5) The aggregate amount of credits allowed to be claimed by  
23 all taxpayers under this section and all employers under section  
24 717 based on qualifying research and development expenses incurred  
25 in a single calendar year must not exceed \$100,000,000.00. If the  
26 aggregate amount of tentative claims submitted under this section  
27 and section 717 exceeds \$100,000,000.00, the department shall  
28 prorate the amount of credits allowed for each claimant as follows:

29 (a) If the aggregate amount of tentative claims submitted by

1 all taxpayers qualifying under subsection (1) (b) and all employers  
2 qualifying under section 717(1) (b) does not exceed \$25,000,000.00,  
3 the amount of credits claimed by each of those claimants must not  
4 be prorated. However, for taxpayers submitting a tentative claim  
5 for a credit under subsection (1) (a) or employers submitting a  
6 tentative claim for a credit under section 717(1) (a), the amount of  
7 tentative claims submitted must be prorated so that each claimant's  
8 allowed credits equal that claimant's pro rata share of the  
9 remaining amount of credits allowed to be claimed under this  
10 subsection and section 717(5).

11 (b) Except as provided in subdivision (c), if the aggregate  
12 amount of tentative claims submitted by all taxpayers qualifying  
13 under subsection (1) (b) and all employers qualifying under section  
14 717(1) (b) exceeds \$25,000,000.00, the amount of tentative claims  
15 submitted by each of those claimants must be prorated so that each  
16 claimant's allowed credits equal that claimant's pro rata share of  
17 \$25,000,000.00, and the amount of tentative claims submitted by  
18 each taxpayer qualifying under subsection (1) (a) or employer  
19 qualifying under section 717(1) (a) must be prorated so that each  
20 claimant's allowed credits equal that claimant's pro rata share of  
21 \$75,000,000.00.

22 (c) If the aggregate amount of tentative claims submitted by  
23 all taxpayers qualifying under subsection (1) (b) and all employers  
24 qualifying under section 717(1) (b) exceeds 25% of the aggregate  
25 amount of tentative claims submitted by all taxpayers under this  
26 section and employers under section 717, then the proration under  
27 subdivision (b) does not apply, and the amount of tentative claims  
28 submitted by each taxpayer under this section and employer under  
29 section 717 shall be prorated so that each claimant's allowed

1 credits equal that claimant's pro rata share of \$100,000,000.00.

2 (6) A taxpayer shall not assign or transfer all or any portion  
3 of a credit allowed under this section. A credit or any portion of  
4 a credit allowed under this section is not assignable or  
5 transferable either by agreement or by operation of law.

6 (7) A taxpayer shall, in a form and manner as prescribed by  
7 the department, file a claim for a credit under this section with  
8 the annual return required to be filed under this part for the same  
9 tax year for which a credit under this section is claimed. The  
10 credits allowed under this section must be claimed after all  
11 allowable nonrefundable credits under this part. If the amount of  
12 the credits allowed under this section exceeds the tax liability of  
13 the taxpayer for the tax year, that portion of the credit that  
14 exceeds the tax liability of the taxpayer for the tax year must be  
15 refunded.

16 (8) As used in this section:

17 (a) "Authorized business" means a taxpayer that has incurred  
18 during the calendar year ending with or within the tax year for  
19 which a credit is being claimed under this section qualifying  
20 research and development expenses in excess of the base amount.

21 (b) "Base amount" means the average annual amount of  
22 qualifying research and development expenses incurred during the 3  
23 calendar years immediately preceding the calendar year ending with  
24 or within the tax year for which a credit is being claimed under  
25 this section. An authorized business with no prior qualifying  
26 research and development expenses has a base amount of zero. If  
27 qualifying research and development expenses were incurred in only  
28 1 or 2 of the immediately preceding 3 calendar years, the average  
29 annual amount must be based on the number of calendar years during

1 which qualifying research and development expenses were incurred.

2 (c) "Qualifying research and development expenses" means  
3 qualified research expenses as that term is defined in section  
4 41(b) of the internal revenue code for research conducted in this  
5 state. Qualifying research and development expenses do not include  
6 qualified research expenses for research conducted outside of this  
7 state.

8 (d) "Research university" means a public university described  
9 in section 4, 5, or 6 of article VIII of the state constitution of  
10 1963 or an independent nonprofit college or university in this  
11 state.

12 Enacting section 1. Section 716 of the income tax act of 1967,  
13 1967 PA 281, MCL 206.716, is repealed.