

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.

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, 2024, 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 a taxpayer with 250 or more employees, an amount equal  
6 to the sum of 3% of the taxpayer's qualifying research and  
7 development expenses incurred during the calendar year ending with  
8 or within the tax year up to the base amount and 10% of the  
9 taxpayer's qualifying research and development expenses incurred

1 during the calendar year ending with or within the tax year in  
2 excess of the base amount. The credit amount calculated under this  
3 subdivision must not exceed \$2,000,000.00 per tax year per  
4 taxpayer.

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

13 (2) Subject to the limitations under this section, a taxpayer  
14 claiming a credit under subsection (1) may claim an additional  
15 credit equal to 5% of the qualifying research and development  
16 expenses incurred during the calendar year ending with or within  
17 the tax year that are in excess of the base amount if the  
18 taxpayer's qualifying research and development expenses for which  
19 the credit is being claimed under subsection (1) are incurred in  
20 collaboration with a research university in this state pursuant to  
21 a written agreement between the taxpayer and the research  
22 university. In order to claim the additional credit under this  
23 subsection, if requested by the department, the taxpayer must  
24 provide the department with a copy of the written agreement with  
25 the research university. The additional credit allowed under this  
26 subsection must not exceed \$200,000.00 per tax year per taxpayer.

27 (3) To be eligible for a credit under this section, a taxpayer  
28 must submit, in a form and manner as prescribed by the department,  
29 a tentative claim for which a credit under this section is sought

1 to the department on or before March 15 after the calendar year  
2 ending with or within the tax year for which the taxpayer intends  
3 to submit a claim for the credit on the taxpayer's annual return  
4 required under this part. The tentative claim required under this  
5 subsection must include, at a minimum, all of the following  
6 information:

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

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

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

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

19 (5) The aggregate amount of credits allowed to be claimed by  
20 all taxpayers under this section and all employers under section  
21 717 based on qualifying research and development expenses incurred  
22 in a single calendar year must not exceed \$100,000,000.00. If the  
23 aggregate amount of credits claimed under this section and section  
24 717 exceeds \$100,000,000.00, the department shall prorate the  
25 amount of credits allowed for each claimant as follows:

26 (a) If the aggregate amount of credits claimed by all  
27 taxpayers qualifying under subsection (1) (b) and all employers  
28 qualifying under section 717(1) (b) does not exceed \$25,000,000.00,  
29 the amount of credits claimed by each of those claimants must not

1 be prorated. However, for taxpayers claiming a credit under  
2 subsection (1) (a) or employers claiming a credit under section  
3 717(1) (a), the amount of credits claimed must be prorated so that  
4 each claimant's allowed credits equal that claimant's pro rata  
5 share of the remaining amount of credits allowed to be claimed  
6 under this subsection and section 717(5).

7 (b) Except as provided in subdivision (c), if the aggregate  
8 amount of credits claimed by all taxpayers qualifying under  
9 subsection (1) (b) and all employers qualifying under section  
10 717(1) (b) exceeds \$25,000,000.00, the amount of credits claimed by  
11 each of those claimants must be prorated so that each claimant's  
12 allowed credits equal that claimant's pro rata share of  
13 \$25,000,000.00, and the amount of credits claimed by each taxpayer  
14 qualifying under subsection (1) (a) or employer qualifying under  
15 section 717(1) (a) must be prorated so that each claimant's allowed  
16 credits equal that claimant's pro rata share of \$75,000,000.00.

17 (c) If the aggregate amount of credits claimed by all  
18 taxpayers qualifying under subsection (1) (b) and all employers  
19 qualifying under section 717(1) (b) exceeds 25% of the aggregate  
20 amount of credits claimed by all taxpayers under this section and  
21 employers under section 717, then the proration under subdivision  
22 (b) does not apply, and the amount of credits claimed by each  
23 taxpayer under this section and employer under section 717 shall be  
24 prorated so that each claimant's allowed credits equal that  
25 claimant's pro rata share of \$100,000,000.00.

26 (6) A taxpayer shall not assign or transfer all or any portion  
27 of a credit allowed under this section. A credit or any portion of  
28 a credit allowed under this section is not assignable or  
29 transferable either by agreement or by operation of law.

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

11           (8) As used in this section, "authorized business", "base  
12 amount", "Michigan strategic fund", "qualifying research and  
13 development expenses", and "research university" mean those terms  
14 as defined in section 716.