

# HOUSE BILL No. 4610

May 4, 1999, Introduced by Reps. Cassis, Green, Woronchak, Gilbert, Ehardt, Bishop, Julian, Bisbee, Hart, Kuipers, Vear, DeRossett, Gosselin, DeVuyst, Kukuk, Jellema, Koetje, O'Neil, Woodward, Sheltroun, Pestka, Schauer, Hager, Lockwood, Garcia, Tabor, Spade, Voorhees, Van Woerkom, Neumann, Shulman and Birkholz 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 39d.

## **THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1        SEC. 39D. (1) FOR TAX YEARS BEGINNING ON OR 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 SUBSECTIONS (3) AND (5), THE  
6 CREDIT ALLOWED UNDER THIS SECTION IS EQUAL TO 5% OF THE AMOUNT  
7 DETERMINED BY SUBTRACTING THE BASE YEAR QUALIFIED RESEARCH AND  
8 DEVELOPMENT PERCENTAGE FROM THE CREDIT YEAR QUALIFIED RESEARCH  
9 AND DEVELOPMENT PERCENTAGE AND THEN MULTIPLYING THE RESULTING  
10 PERCENTAGE IF THAT PERCENTAGE IS GREATER THAN ZERO BY THE BASE  
11 YEAR QUALIFIED 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) FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1, 1999,  
8 THE CREDIT AMOUNT ALLOWED UNDER THIS SECTION SHALL BE MULTIPLIED  
9 BY THE FOLLOWING PERCENTAGES FOR THE FOLLOWING YEARS TO DETERMINE  
10 THE AMOUNT THAT A TAXPAYER IS ELIGIBLE TO CLAIM FOR THE SPECIFIED  
11 TAX YEAR:

12       (A) FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1, 1999 AND  
13 BEFORE JANUARY 1, 2000, 10%.

14       (B) FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1, 2000,  
15 THE PERCENTAGES UNDER SECTION 39E, 39F, OR 39G, AS APPLICABLE.

16       (6) IF THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX  
17 YEAR AND ANY UNUSED CARRYFORWARD OF THE CREDIT ALLOWED BY THIS  
18 SECTION EXCEED THE TAXPAYER'S TAX LIABILITY FOR THE TAX YEAR,  
19 THAT PORTION THAT EXCEEDS THE TAX LIABILITY FOR THE TAX YEAR  
20 SHALL NOT BE REFUNDED BUT MAY BE CARRIED FORWARD TO OFFSET TAX  
21 LIABILITY IN SUBSEQUENT TAX YEARS FOR 10 YEARS OR UNTIL USED UP,  
22 WHICHEVER OCCURS FIRST.

23       (7) AS USED IN THIS SECTION:

24       (A) "BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES"  
25 MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND DEVELOPMENT OF THE  
26 TAXPAYER FOR THE 5 YEARS IMMEDIATELY PRECEDING THE CREDIT YEAR  
27 DIVIDED BY 5.

1 (B) "BASE YEAR QUALIFIED RESEARCH AND DEVELOPMENT  
 2 PERCENTAGE" MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND DEVEL-  
 3 OPMENT OF THE TAXPAYER FOR THE 5 YEARS IMMEDIATELY PRECEDING THE  
 4 CREDIT YEAR DIVIDED BY THE GROSS RECEIPTS OF THE TAXPAYER FOR  
 5 THAT SAME PERIOD.

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

8 (D) "CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT  
 9 EXPENSES" MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND DEVELOP-  
 10 MENT OF THE TAXPAYER FOR THE YEAR IN WHICH A CREDIT IS CLAIMED.

11 (E) "CREDIT YEAR QUALIFIED RESEARCH AND DEVELOPMENT  
 12 PERCENTAGE" MEANS THE EXPENSES FOR QUALIFIED RESEARCH AND DEVEL-  
 13 OPMENT OF THE TAXPAYER FOR THE YEAR IN WHICH A CREDIT IS CLAIMED  
 14 DIVIDED BY THE GROSS RECEIPTS OF THE TAXPAYER FOR THE SAME YEAR.

15 (F) "QUALIFIED RESEARCH AND DEVELOPMENT" MEANS QUALIFIED  
 16 RESEARCH AS DEFINED IN SECTION 41(d) OF THE INTERNAL REVENUE  
 17 CODE.

18 (G) "QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES" MEANS  
 19 QUALIFIED RESEARCH EXPENSES AS DEFINED IN SECTION 41(b) OF THE  
 20 INTERNAL REVENUE CODE.

21 Enacting section 1. This amendatory act does not take  
 22 effect unless all of the following bills of the 90th Legislature  
 23 are enacted into law:

24 (a) Senate Bill No. \_\_\_\_\_ or House Bill No. \_\_\_\_\_  
 25 (request no. 02573'99 \*).

26 (b) Senate Bill No. \_\_\_\_\_ or House Bill No. \_\_\_\_\_  
 27 (request no. 02576'99 \*).

**1** (c) Senate Bill No. \_\_\_\_\_ or House Bill No. \_\_\_\_\_

**2** (request no. 02577'99 \*).