

# Legislative Analysis



## RESEARCH AND DEVELOPMENT TAX CREDIT DEFINITIONS ACT

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<http://www.house.mi.gov/hfa>

**House Bill 5187 (H-1) as reported from committee**  
**Sponsor: Rep. Rachel Hood**  
**Committee: Economic Development and Small Business**  
**Complete to 10-31-23**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5187 would create the “Research and Development Tax Credit Definitions Act.” The bill would define the following terms with respect to a research and development (R&D) tax credit to be administered under the Income Tax Act:

*Authorized business* would mean a taxpayer subject to the corporate income tax or a flow-through entity, as applicable, that has increased its qualifying R&D expenses.

*Base amount* would mean the average annual amount of qualifying R&D expenses during the three calendar years immediately preceding the calendar year ending with or within the tax year for which an R&D tax credit is claimed. An authorized business with no prior qualifying R&D expenses would have a base amount of zero, and if qualifying R&D expenses were incurred in only one or two of those three years, then the average annual amount would be based on the number of calendar years in which qualifying R&D expenses were incurred.

*Qualifying research and development expenses* would mean qualified research expenses (QREs), as that term is defined under federal law, for research conducted in Michigan.<sup>1</sup> Generally, it would mean spending for technological research, including employee wages, contract expenses, and supply costs.

*Research university* would mean a public university in Michigan or an independent nonprofit college or university in Michigan.

### FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

### POSITIONS:

Economic Development Leaders for Michigan indicated support for the bill. (10-31-23)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

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<sup>1</sup> For a full description of qualified research expenses, see: <https://www.irs.gov/businesses/audit-techniques-guide-credit-for-increasing-research-activities-ie-research-tax-credit-irc-ss-41-qualified-research-expenses>.