

**SUBSTITUTE FOR  
HOUSE BILL NO. 4368**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.847) by adding section 716.

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

1       **Sec. 716. As used in this chapter and section 677:**  
2       **(a) "Authorized business" means the following:**  
3       **(i) Except as otherwise provided under this subparagraph, for**  
4 **purposes of a credit under section 717, a flow-through entity that**  
5 **is subject to the withholding requirements under section 703(2) and**  
6 **that has increased its qualifying research and development**  
7 **expenses. Authorized business does not include a flow-through**  
8 **entity that is subject to the Michigan business tax act, 2007 PA**  
9 **36, MCL 208.1101 to 208.1519, for the tax year.**

1           (ii) For purposes of a credit under section 677, a taxpayer  
2 that has increased its qualifying research and development  
3 expenses. As used in this subparagraph, "taxpayer" means that term  
4 as defined under section 611.

5           (b) "Base amount" means the average annual amount of  
6 qualifying research and development expenses during the 3 calendar  
7 years immediately preceding the calendar year ending with or within  
8 the tax year for which a credit is being claimed under section 677  
9 or 717. An authorized business with no prior qualifying research  
10 and development expenses has a base amount of zero. If qualifying  
11 research and development expenses were incurred in only 1 or 2 of  
12 the immediately preceding 3 calendar years, the average annual  
13 amount must be based on the number of calendar years during which  
14 qualifying research and development expenses were incurred.

15           (c) "Michigan strategic fund" means the Michigan strategic  
16 fund created in section 5 of the Michigan strategic fund act, 1984  
17 PA 270, MCL 125.2005.

18           (d) "Qualifying research and development expenses" means  
19 qualified research expenses as that term is defined in section  
20 41(b) of the internal revenue code of 1986, 26 USC 41, for research  
21 conducted in this state. Qualifying research and development  
22 expenses does not include qualified research expenses for research  
23 conducted outside of this state.

24           (e) "Research university" means a public university described  
25 in section 4, 5, or 6 of article VIII of the state constitution of  
26 1963 or an independent nonprofit college or university in this  
27 state.