

HOUSE RESEARCH

Bill Summary

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Overview

This bill allows the research credit against the individual income tax and makes an unspecified portion of the credit refundable. Under present law, the research credit applies only to the corporate franchise tax. The amount of the credit that exceeds the liability for tax is a carryover to later tax years.

Section

- 1** **Research credit; individual income tax.** Allows the research and development tax credit against the individual income tax. Present law limits the credit to corporate franchise tax liability.
Background. The credit applies principally to amounts expended for wages for qualifying research activities that exceed a base amount. When the research credit was first enacted in 1982, it applied to both corporate franchise and individual income tax liability. In 1987 as part of elimination of several credits, the research credit was restricted to the corporate franchise tax. The federal research credit, on which the Minnesota is based, is available to both corporate and individual taxpayers.
- 2** **Reference.** Corrects cross reference in present law to clarify that it refers to paragraphs, rather than clauses.
- 3** **Refundable credit.** Makes the research credit refundable (i.e., if it exceeds the liability for tax, the excess would be paid to the taxpayer as a refund). The amount to be refunded to the taxpayer is limited to a blank percentage of the excess over the tax liability and to an unspecified maximum amount.
- 4** **Allocation of credit.** Makes a conforming change to the allocation of the credit among partners or shareholders of S corporations to reflect the allowance of the credit against the individual income tax.
- 5** **Appropriation.** Appropriates an amount to the commissioner sufficient to make the refund

payments.