

HOUSE RESEARCH

Bill Summary

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Subject: Extend research credit to sole proprietors

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Overview

Extends the research credit to sole proprietors, retroactive to tax year 2010.

Background. The research credit equals 10 percent of the first \$2 million of qualified research expenditures, and 2.5 percent of expenditures in excess of \$2 million, and is allowed against the corporate franchise tax and the individual income tax (for pass-through entities). Through tax year 2009 the credit was non-refundable, and only allowed against the corporate franchise tax. Laws 2010, Chapter 216, extended the credit to pass-through entities, and made it refundable, beginning in tax year 2010. Laws 2013, Chapter 143 made the credit nonrefundable, beginning in tax year 2014.

Section

- 1 Credit allowed; sole proprietors.** Extends the research credit to businesses operating as sole proprietorships. Under the current law the credit is allowed only for businesses operating as C corporations or as pass-through entities (S corporations, partnerships, LLCs, and the like). Effective beginning in tax year 2014.
- 2 Amended returns.** Extends the time for filing amended returns for individuals who qualify for a research credit under this bill to April 15, 2015, if the 3½ year time limit on amending returns to make claims for refunds in statute has expired.