

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2015

DATE: March 12, 2014

Version: With author's amendment (H2105A1)

Authors: Anderson S.

Subject: Research credit made refundable

Analyst: Nina Manzi (651) 296-5204 and Joel Michael (joel.michael@house.mn)

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

Makes the research credit refundable.

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 2013.

Section

- 1** **Definitions.** Moves the definition of “liability for tax”, from the subdivision that determines the credit carryover to the definitions subdivision.
- 2** **Carryover.** Strikes language providing for the carryover of unused credit amounts related to tax years 2014 and following years, since section 3 makes the credit refundable. Unused carryover amounts from tax year 2013 and tax years before tax year 2010 will continue to be carried over for up to 15 years and applied against liability for tax after nonrefundable credits and after the current year's research credit.
- 3** **Credit refundable.** Makes the research credit refundable beginning in tax year 2014, with the refund amount determined by comparing the research credit allowed for the year to liability for the year after subtraction of all other nonrefundable credits.