

House Study Bill 768

Bill Text

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1 1 Section 1. Section 15.335, Code Supplement 1999, is
1 2 amended to read as follows:

1 3 15.335 RESEARCH ACTIVITIES CREDIT.

1 4 1. An eligible business may claim a corporate tax credit
1 5 for increasing research activities in this state during the
1 6 period the eligible business is participating in the program.

1 7 a. The credit equals

~~— six and one half percent of the~~

~~—~~
1 8

~~— state's apportioned share of the qualifying expenditures for~~

~~—~~
1 9

~~— increasing research activities.~~

~~— the sum of the following:~~

1 10 (1) Six and one-half percent of the excess of qualified
1 11 research expenses during the tax year over the base amount for
1 12 the tax year based upon the state's apportioned share of the
1 13 qualifying expenditures for increasing research activities.

1 14 (2) Six and one-half percent of the basic research
1 15 payments determined under section 41(e)(1)(A) of the Internal
1 16 Revenue Code during the tax year based upon the state's
1 17 apportioned share of the qualifying expenditures for
1 18 increasing research activities.

1 19 The state's apportioned share of the qualifying
1 20 expenditures for increasing research activities is a percent
1 21 equal to the ratio of qualified research expenditures in this
1 22 state to total qualified research expenditures.

1 23 b. In lieu of the credit amount computed in paragraph "a",
1 24 subparagraph (1), an eligible business may elect to compute
1 25 the credit amount for qualified research expenses incurred in
1 26 this state in a manner consistent with the alternative
1 27 incremental credit described in section 41(c)(4) of the
1 28 Internal Revenue Code. The taxpayer may make this election
1 29 regardless of the method used for the taxpayer's federal
1 30 income tax. The election made under this paragraph is for the
1 31 tax year and the taxpayer may use another or the same method
1 32 for any subsequent year.

1 33 c. For purposes of the alternate credit computation method
1 34 in paragraph "b", the same credit percentages applicable to
1 35 qualified research expenses described in clauses (i), (ii),
2 1 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
2 2 shall be used.

2 3 2. The credit allowed in this section is in addition to
2 4 the credit authorized in section 422.33, subsection 5, and
2 5 section 422.10. However, if the alternative credit
2 6 computation method is used in section 422.33, subsection 5, or
2 7 section 422.10, the credit allowed in this section shall also
2 8 be computed using that method.

2 9 3. If the eligible business is a partnership,

~~— subchapter~~

~~— S~~

2 10 corporation, limited liability company, or estate or trust
2 11 electing to have the income taxed directly to the individual,
2 12 an individual may claim the tax credit allowed. The amount
2 13 claimed by the individual shall be based upon the pro rata
2 14 share of the individual's earnings of the partnership,
2 15

~~subchapter~~

- S corporation, limited liability company, or estate
2 16 or trust.
2 17 4. For purposes of this section,

~~"qualifying expenditures"~~

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2 18

~~for increasing research activities" means the qualifying~~

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2 19

~~expenditures~~

- "base amount", "basic research payment", and
2 20 "qualified research expense" mean the same as defined for the
2 21 federal credit for increasing research activities

~~which would~~

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2 22

~~be allowable~~

- under section 41 of the Internal Revenue Code

~~in~~

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2 23

~~effect on January 1, 1999~~

~~-, except that for the alternative~~

2 24 incremental credit such amounts are for research conducted
2 25 within this state. For purposes of this section, "Internal
2 26 Revenue Code" means the Internal Revenue Code in effect on
2 27 January 1, 2000.

2 28 5. Any credit in excess of the tax liability for the
2 29 taxable year shall be refunded with interest computed under
2 30 section 422.25. In lieu of claiming a refund, a taxpayer may
2 31 elect to have the overpayment shown on its final, completed
2 32 return credited to the tax liability for the following year.

2 33 Sec. 2. Section 15A.9, subsection 8, Code Supplement 1999,
2 34 is amended to read as follows:

2 35 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit
3 1 shall be available to the primary business or a supporting
3 2 business for increasing research activities in this state
3 3 within the zone.

3 4 a. The credit equals

~~thirteen percent of the state's~~

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3 5

~~apportioned share of the qualifying expenditures for~~

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3 6

~~increasing research activities.~~

- the sum of the following:

3 7 (1) Thirteen percent of the excess of qualified research
3 8 expenses during the tax year over the base amount for the tax

3 9 year based upon the state's apportioned share of the
3 10 qualifying expenditures for increasing research activities.
3 11 (2) Thirteen percent of the basic research payments
3 12 determined under section 41(e)(1)(A) of the Internal Revenue
3 13 Code during the tax year based upon the state's apportioned
3 14 share of the qualifying expenditures for increasing research
3 15 activities.

3 16 The state's apportioned share of the qualifying
3 17 expenditures for increasing research activities is a percent
3 18 equal to the ratio of qualified research expenditures in this
3 19 state within the zone to total qualified research
3 20 expenditures.

3 21 b. In lieu of the credit amount computed in paragraph "a",
3 22 subparagraph (1), a business may elect to compute the credit
3 23 amount for qualified research expenses incurred in this state
3 24 within the zone in a manner consistent with the alternative
3 25 incremental credit described in section 41(c)(4) of the
3 26 Internal Revenue Code. The taxpayer may make this election
3 27 regardless of the method used for the taxpayer's federal
3 28 income tax. The election made under this paragraph is for the
3 29 tax year and the taxpayer may use another or the same method
3 30 for any subsequent year.

3 31 c. For purposes of the alternate credit computation method
3 32 in paragraph "b", double the credit percentages applicable to
3 33 qualified research expenses described in clauses (i), (ii),
3 34 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
3 35 shall be used.

4 1 d. Any credit in excess of the tax liability for the tax
4 2 year shall be refunded with interest computed under section
4 3 422.25. In lieu of claiming a refund, the primary business or
4 4 a supporting business may elect to have the overpayment shown
4 5 on its final return credited to its tax liability for the
4 6 following tax year.

4 7 e. For the purposes of this

~~section, "qualifying~~

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~~expenditures for increasing research activities" means the~~

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4 9

~~qualifying expenditures~~

~~- subsection, "base amount", "basic~~

4 10 research payment", and "qualified research expense" mean the
4 11 same as defined for the federal credit for increasing research
4 12 activities

~~which would be allowable~~

~~- under section 41 of the~~

4 13 Internal Revenue Code

~~in effect on January 1, 1999~~

~~-, except~~

4 14 that for the alternative incremental credit such amounts are
4 15 for research conducted within this state within the zone. For
4 16 purposes of this subsection, "Internal Revenue Code" means the
4 17 Internal Revenue Code in effect on January 1, 2000.

4 18 f. The credit authorized in this subsection is in lieu of
4 19 the credit authorized in section 422.33, subsection 5 and
4 20 section 422.10.

4 21 Sec. 3. Section 422.10, Code Supplement 1999, is amended
4 22 to read as follows:

4 23 422.10 RESEARCH ACTIVITIES CREDIT.

4 24 1. The taxes imposed under this division shall be reduced
4 25 by a state tax credit for increasing research activities in

4 26 this state.

4 27 a. For individuals, the credit equals

~~— six and one half~~

4 28

~~— percent of the state's apportioned share of the qualifying~~

4 29

~~— expenditures for increasing research activities.~~

~~— the sum of~~

4 30 the following:

4 31 (1) Six and one-half percent of the excess of qualified
4 32 research expenses during the tax year over the base amount for
4 33 the tax year based upon the state's apportioned share of the
4 34 qualifying expenditures for increasing research activities.

4 35 (2) Six and one-half percent of the basic research
5 1 payments determined under section 41(e)(1)(A) of the Internal
5 2 Revenue Code during the tax year based upon the state's
5 3 apportioned share of the qualifying expenditures for
5 4 increasing research activities.

5 5 The state's apportioned share of the qualifying
5 6 expenditures for increasing research activities is a percent
5 7 equal to the ratio of qualified research expenditures in this
5 8 state to total qualified research expenditures.

5 9 b. In lieu of the credit amount computed in paragraph "a",
5 10 subparagraph (1), a taxpayer may elect to compute the credit
5 11 amount for qualified research expenses incurred in this state
5 12 in a manner consistent with the alternative incremental credit
5 13 described in section 41(c)(4) of the Internal Revenue Code.
5 14 The taxpayer may make this election regardless of the method
5 15 used for the taxpayer's federal income tax. The election made
5 16 under this paragraph is for the tax year and the taxpayer may
5 17 use another or the same method for any subsequent year.

5 18 c. For purposes of the alternate credit computation method
5 19 in paragraph "b", the same credit percentages applicable to
5 20 qualified research expenses described in clauses (i), (ii),
5 21 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
5 22 shall be used.

5 23 2. For purposes of this section, an individual may claim a
5 24 research credit

~~— for qualifying research expenditures~~

~~— incurred~~

5 25 by a partnership,

~~— subchapter~~

~~— S corporation, limited liability~~

5 26 company, estate, or trust electing to have the income taxed
5 27 directly to the individual. The amount claimed by the
5 28 individual shall be based upon the pro rata share of the
5 29 individual's earnings of a partnership,

~~— subchapter~~

~~— S~~

5 30 corporation, limited liability company, estate, or trust.

5 31 3. For purposes of this section,

~~— "qualifying expenditures~~

5 32

~~— for increasing research activities" means the qualifying~~

5 33

~~expenditures~~

- "base amount", "basic research payment", and
5 34 "qualified research expense" mean the same as defined for the
5 35 federal credit for increasing research activities

~~which would~~

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6 1

~~be allowable~~

- under section 41 of the Internal Revenue Code

~~in~~

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6 2

~~effect on January 1, 1999~~

- except that for the alternative

6 3 incremental credit such amounts are for research conducted
6 4 within this state. For purposes of this section, "Internal
6 5 Revenue Code" means the Internal Revenue Code in effect on
6 6 January 1, 2000.

6 7 4. Any credit in excess of the tax liability imposed by
6 8 section 422.5 less the credits allowed under sections 422.11A,
6 9 422.12, and 422.12B for the taxable year shall be refunded
6 10 with interest computed under section 422.25. In lieu of
6 11 claiming a refund, a taxpayer may elect to have the
6 12 overpayment shown on the taxpayer's final, completed return
6 13 credited to the tax liability for the following taxable year.

6 14 Sec. 4. Section 422.33, subsection 5, Code Supplement
6 15 1999, is amended to read as follows:

6 16 5. a. The taxes imposed under this division shall be
6 17 reduced by a state tax credit for increasing research
6 18 activities in this state equal to

~~six and one half percent of~~

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~~the state's apportioned share of the qualifying expenditures~~

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6 20

~~for increasing research activities.~~

- the sum of the following:

6 21 (1) Six and one-half percent of the excess of qualified
6 22 research expenses during the tax year over the base amount for
6 23 the tax year based upon the state's apportioned share of the
6 24 qualifying expenditures for increasing research activities.

6 25 (2) Six and one-half percent of the basic research
6 26 payments determined under section 41(e)(1)(A) of the Internal
6 27 Revenue Code during the tax year based upon the state's
6 28 apportioned share of the qualifying expenditures for
6 29 increasing research activities.

6 30 The state's apportioned share of the qualifying
6 31 expenditures for increasing research activities is a percent
6 32 equal to the ratio of qualified research expenditures in this
6 33 state to the total qualified research expenditures.

6 34 b. In lieu of the credit amount computed in paragraph "a",
6 35 subparagraph (1), a corporation may elect to compute the
7 1 credit amount for qualified research expenses incurred in this
7 2 state in a manner consistent with the alternative incremental
7 3 credit described in section 41(c)(4) of the Internal Revenue
7 4 Code. The taxpayer may make this election regardless of the
7 5 method used for the taxpayer's federal income tax. The
7 6 election made under this paragraph is for the tax year and the

7 7 taxpayer may use another or the same method for any subsequent
7 8 year.

7 9 c. For purposes of the alternate credit computation method
7 10 in paragraph "b", the same credit percentages applicable to
7 11 qualified research expenses described in clauses (i), (ii),
7 12 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
7 13 shall be used.

7 14 d. For purposes of this subsection,

~~7 15 "qualifying~~

~~7 16 expenditures for increasing research activities" means the~~

~~7 17 qualifying expenditures~~

~~7 18 "base amount", "basic research~~

~~7 19 payment", and "qualified research expense" mean the same as~~

~~7 20 defined for the federal credit for increasing research~~
~~7 21 activities~~
~~7 22 which would be allowable~~

~~7 23 under section 41 of the~~

~~7 24 Internal Revenue Code~~

~~7 25 in effect on January 1, 1999~~

~~7 26 , except~~

~~7 27 that for the alternative incremental credit such amounts are~~
~~7 28 for research conducted within this state. For purposes of~~
~~7 29 this subsection, "Internal Revenue Code" means the Internal~~
~~7 30 Revenue Code in effect on January 1, 2000.~~

7 31 e. Any credit in excess of the tax liability for the
7 32 taxable year shall be refunded with interest computed under
7 33 section 422.25. In lieu of claiming a refund, a taxpayer may
7 34 elect to have the overpayment shown on its final, completed
7 35 return credited to the tax liability for the following taxable
7 36 year.

7 37 Sec. 5. APPLICABILITY DATE. This Act applies
7 38 retroactively to January 1, 2000, for tax years beginning on
7 39 or after that date.

7 40 EXPLANATION

7 41 This bill expands the research activities credit for income
8 1 tax purposes for businesses under the new jobs and income
8 2 program, the quality jobs enterprise zone program, the
8 3 incentives for building in enterprise zones, the individual
8 4 income tax, and corporate income tax. The expansion provides
8 5 for an alternative method of computing the tax credit based
8 6 upon the federal approach using an incremental computation
8 7 method for measuring increased research activities. This
8 8 alternative method is in lieu of a portion of Iowa's present
8 9 computation approach. Therefore, the present Iowa law is
8 10 rewritten in a manner that coincides with the computation
8 11 under the federal income tax credit.

8 12 The bill applies retroactively to January 1, 2000, for tax
8 13 years beginning on or after that date.

8 14 LSB 5584HC 78

8 15 mg/cf/24