

Senate Study Bill 3233

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

~~1 8 six and one half percent of the~~

1 8

~~1 9 state's apportioned share of the qualifying expenditures for~~

1 9

~~1 10 increasing research activities.~~

~~1 11 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 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 are one and sixty-five hundredths percent, two and twenty
2 3 hundredths percent, and two and seventy-five hundredths
2 4 percent, respectively.

2 5 2. The credit allowed in this section is in addition to
2 6 the credit authorized in section 422.33, subsection 5, and
2 7 section 422.10. However, if the alternative credit
2 8 computation method is used in section 422.33, subsection 5, or
2 9 section 422.10, the credit allowed in this section shall also
2 10 be computed using that method.

2 11 3. If the eligible business is a partnership,

~~subchapter~~

- S
- 2 12 corporation, limited liability company, or estate or trust
- 2 13 electing to have the income taxed directly to the individual,
- 2 14 an individual may claim the tax credit allowed. The amount
- 2 15 claimed by the individual shall be based upon the pro rata
- 2 16 share of the individual's earnings of the partnership,
- 2 17

~~subchapter~~

- S corporation, limited liability company, or estate
- 2 18 or trust.
- 2 19 4. For purposes of this section,

~~"qualifying expenditures~~

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- 2 20

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

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- 2 21

~~expenditures~~

- "base amount", "basic research payment", and
- 2 22 "qualified research expense" mean the same as defined for the
- 2 23 federal credit for increasing research activities

~~which would~~

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- 2 24

~~be allowable~~

- under section 41 of the Internal Revenue Code

~~in~~

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- 2 25

~~effect on January 1, 1999~~

~~-, except that for the alternative~~

- 2 26 incremental credit such amounts are for research conducted
- 2 27 within this state. For purposes of this section, "Internal
- 2 28 Revenue Code" means the Internal Revenue Code in effect on
- 2 29 January 1, 2000.
- 2 30 5. Any credit in excess of the tax liability for the
- 2 31 taxable year shall be refunded with interest computed under
- 2 32 section 422.25. In lieu of claiming a refund, a taxpayer may
- 2 33 elect to have the overpayment shown on its final, completed
- 2 34 return credited to the tax liability for the following year.
- 2 35 Sec. 2. Section 15A.9, subsection 8, Code Supplement 1999,
- 3 1 is amended to read as follows:
- 3 2 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit
- 3 3 shall be available to the primary business or a supporting
- 3 4 business for increasing research activities in this state
- 3 5 within the zone.
- 3 6 a. The credit equals

~~thirteen percent of the state's~~

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- 3 7

~~apportioned share of the qualifying expenditures for~~

-
- 3 8

~~increasing research activities.~~

~~- the sum of the following:~~

3 9 (1) Thirteen percent of the excess of qualified research
3 10 expenses during the tax year over the base amount for the tax
3 11 year based upon the state's apportioned share of the
3 12 qualifying expenditures for increasing research activities.

3 13 (2) Thirteen percent of the basic research payments
3 14 determined under section 41(e)(1)(A) of the Internal Revenue
3 15 Code during the tax year based upon the state's apportioned
3 16 share of the qualifying expenditures for increasing research
3 17 activities.

3 18 The state's apportioned share of the qualifying
3 19 expenditures for increasing research activities is a percent
3 20 equal to the ratio of qualified research expenditures in this
3 21 state within the zone to total qualified research
3 22 expenditures.

3 23 b. In lieu of the credit amount computed in paragraph "a",
3 24 subparagraph (1), a business may elect to compute the credit
3 25 amount for qualified research expenses incurred in this state
3 26 within the zone in a manner consistent with the alternative
3 27 incremental credit described in section 41(c)(4) of the
3 28 Internal Revenue Code. The taxpayer may make this election
3 29 regardless of the method used for the taxpayer's federal
3 30 income tax. The election made under this paragraph is for the
3 31 tax year and the taxpayer may use another or the same method
3 32 for any subsequent year.

3 33 c. For purposes of the alternate credit computation method
3 34 in paragraph "b", the credit percentages applicable to
3 35 qualified research expenses described in clauses (i), (ii),
4 1 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
4 2 are three and thirty hundredths percent, four and forty
4 3 hundredths percent, and five and fifty hundredths percent,
4 4 respectively.

4 5 d. Any credit in excess of the tax liability for the tax
4 6 year shall be refunded with interest computed under section
4 7 422.25. In lieu of claiming a refund, the primary business or
4 8 a supporting business may elect to have the overpayment shown
4 9 on its final return credited to its tax liability for the
4 10 following tax year.

4 11 e. For the purposes of this

~~section, "qualifying~~

~~-~~
4 12

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

~~-~~
4 13

~~qualifying expenditures~~

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

4 14 research payment", and "qualified research expense" mean the
4 15 same as defined for the federal credit for increasing research
4 16 activities

~~which would be allowable~~

~~- under section 41 of the~~

4 17 Internal Revenue Code

~~in effect on January 1, 1999~~

~~- , except~~

4 18 that for the alternative incremental credit such amounts are
4 19 for research conducted within this state within the zone. For
4 20 purposes of this subsection, "Internal Revenue Code" means the
4 21 Internal Revenue Code in effect on January 1, 2000.

4 22 f. The credit authorized in this subsection is in lieu of
4 23 the credit authorized in section 422.33, subsection 5 and
4 24 section 422.10.

4 25 Sec. 3. Section 422.10, Code Supplement 1999, is amended

4 26 to read as follows:

4 27 422.10 RESEARCH ACTIVITIES CREDIT.

4 28 1. The taxes imposed under this division shall be reduced
4 29 by a state tax credit for increasing research activities in
4 30 this state.

4 31 a. For individuals, the credit equals

~~six and one half~~

4 32

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

4 33

~~expenditures for increasing research activities.~~

~~the sum of~~

4 34 the following:

4 35 (1) Six and one-half percent of the excess of qualified
5 1 research expenses during the tax year over the base amount for
5 2 the tax year based upon the state's apportioned share of the
5 3 qualifying expenditures for increasing research activities.

5 4 (2) Six and one-half percent of the basic research
5 5 payments determined under section 41(e)(1)(A) of the Internal
5 6 Revenue Code during the tax year based upon the state's
5 7 apportioned share of the qualifying expenditures for
5 8 increasing research activities.

5 9 The state's apportioned share of the qualifying
5 10 expenditures for increasing research activities is a percent
5 11 equal to the ratio of qualified research expenditures in this
5 12 state to total qualified research expenditures.

5 13 b. In lieu of the credit amount computed in paragraph "a",
5 14 subparagraph (1), a taxpayer may elect to compute the credit
5 15 amount for qualified research expenses incurred in this state
5 16 in a manner consistent with the alternative incremental credit
5 17 described in section 41(c)(4) of the Internal Revenue Code.
5 18 The taxpayer may make this election regardless of the method
5 19 used for the taxpayer's federal income tax. The election made
5 20 under this paragraph is for the tax year and the taxpayer may
5 21 use another or the same method for any subsequent year.

5 22 c. For purposes of the alternate credit computation method
5 23 in paragraph "b", the credit percentages applicable to
5 24 qualified research expenses described in clauses (i), (ii),
5 25 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
5 26 are one and sixty-five hundredths percent, two and twenty
5 27 hundredths percent, and two and seventy-five hundredths
5 28 percent, respectively.

5 29 2. For purposes of this section, an individual may claim a
5 30 research credit

~~for qualifying research expenditures~~

~~incurred~~

5 31 by a partnership,

~~subchapter~~

~~S corporation, limited liability~~

5 32 company, estate, or trust electing to have the income taxed
5 33 directly to the individual. The amount claimed by the
5 34 individual shall be based upon the pro rata share of the
5 35 individual's earnings of a partnership,

~~subchapter~~

~~S~~

6 1 corporation, limited liability company, estate, or trust.

6 2 3. For purposes of this section,

~~"qualifying expenditures"~~

6 3

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

6 4

~~expenditures~~

~~"base amount", "basic research payment", and~~

6 5 "qualified research expense" mean the same as defined for the
6 6 federal credit for increasing research activities

~~which would~~

6 7

~~be allowable~~

~~under section 41 of the Internal Revenue Code~~

~~in~~

6 8

~~effect on January 1, 1999~~

~~, except that for the alternative~~

6 9 incremental credit such amounts are for research conducted
6 10 within this state. For purposes of this section, "Internal
6 11 Revenue Code" means the Internal Revenue Code in effect on
6 12 January 1, 2000.

6 13 4. Any credit in excess of the tax liability imposed by
6 14 section 422.5 less the credits allowed under sections 422.11A,
6 15 422.12, and 422.12B for the taxable year shall be refunded
6 16 with interest computed under section 422.25. In lieu of
6 17 claiming a refund, a taxpayer may elect to have the
6 18 overpayment shown on the taxpayer's final, completed return
6 19 credited to the tax liability for the following taxable year.

6 20 Sec. 4. Section 422.33, subsection 5, Code Supplement
6 21 1999, is amended to read as follows:

6 22 5. a. The taxes imposed under this division shall be
6 23 reduced by a state tax credit for increasing research
6 24 activities in this state equal to

~~six and one-half percent of~~

6 25

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

6 26

~~for increasing research activities.~~

~~the sum of the following:~~

6 27 (1) Six and one-half percent of the excess of qualified
6 28 research expenses during the tax year over the base amount for
6 29 the tax year based upon the state's apportioned share of the
6 30 qualifying expenditures for increasing research activities.

6 31 (2) Six and one-half percent of the basic research
6 32 payments determined under section 41(e)(1)(A) of the Internal
6 33 Revenue Code during the tax year based upon the state's
6 34 apportioned share of the qualifying expenditures for
6 35 increasing research activities.

7 1 The state's apportioned share of the qualifying
7 2 expenditures for increasing research activities is a percent
7 3 equal to the ratio of qualified research expenditures in this
7 4 state to the total qualified research expenditures.

7 5 b. In lieu of the credit amount computed in paragraph "a",
7 6 subparagraph (1), a corporation may elect to compute the

7 7 credit amount for qualified research expenses incurred in this
7 8 state in a manner consistent with the alternative incremental
7 9 credit described in section 41(c)(4) of the Internal Revenue
7 10 Code. The taxpayer may make this election regardless of the
7 11 method used for the taxpayer's federal income tax. The
7 12 election made under this paragraph is for the tax year and the
7 13 taxpayer may use another or the same method for any subsequent
7 14 year.

7 15 c. For purposes of the alternate credit computation method
7 16 in paragraph "b", the credit percentages applicable to
7 17 qualified research expenses described in clauses (i), (ii),
7 18 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
7 19 are one and sixty-five hundredths percent, two and twenty
7 20 hundredths percent, and two and seventy-five hundredths
7 21 percent, respectively.

7 22 d. For purposes of this subsection,

~~— "qualifying~~

~~—~~
7 23

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

~~—~~
7 24

~~— qualifying expenditures~~

~~— "base amount", "basic research~~

7 25 payment", and "qualified research expense" mean the same as

7 26 defined for the federal credit for increasing research

7 27 activities

~~— which would be allowable~~

~~— under section 41 of the~~

7 28 Internal Revenue Code

~~— in effect on January 1, 1999~~

~~—, except~~

7 29 that for the alternative incremental credit such amounts are

7 30 for research conducted within this state. For purposes of

7 31 this subsection, "Internal Revenue Code" means the Internal

7 32 Revenue Code in effect on January 1, 2000.

7 33 e. Any credit in excess of the tax liability for the

7 34 taxable year shall be refunded with interest computed under

7 35 section 422.25. In lieu of claiming a refund, a taxpayer may

8 1 elect to have the overpayment shown on its final, completed

8 2 return credited to the tax liability for the following taxable

8 3 year.

8 4 Sec. 5. APPLICABILITY DATE. This Act applies

8 5 retroactively to January 1, 2000, for tax years beginning on

8 6 or after that date.

8 7 EXPLANATION

8 8 This bill expands the research activities credit for income

8 9 tax purposes for businesses under the new jobs and income

8 10 program, the quality jobs enterprise zone program, the

8 11 incentives for building in enterprise zones, the individual

8 12 income tax, and corporate income tax. The expansion provides

8 13 for an alternative method of computing the tax credit based

8 14 upon the federal approach using an incremental computation

8 15 method for measuring increased research activities. This

8 16 alternative method is in lieu of a portion of Iowa's present

8 17 computation approach. Therefore, the present Iowa law is

8 18 rewritten in a manner that coincides with the computation

8 19 under the federal income tax credit. The federal approach has

8 20 three tiers under the incremented approach with a different

8 21 percentage for each tier. The bill uses the same percentages

8 22 for the three tiers which were used for federal income taxes

8 23 for tax years beginning before July 1, 1999.

8 24 The bill applies retroactively to January 1, 2000, for tax
8 25 years beginning on or after that date.
8 26 LSB 7319SC 78
8 27 mg/cf/24