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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **97**

January 11, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; extending the research credit to the individual income tax;
1.3 making a portion of the credit refundable; appropriating money; amending
1.4 Minnesota Statutes 2006, section 290.068, subdivisions 1, 3, 4, by adding a
1.5 subdivision.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 290.068, subdivision 1, is amended to read:

1.8 Subdivision 1. **Credit allowed.** ~~A corporation, other than a corporation treated as an~~
1.9 ~~"S" corporation under section 290.9725, taxpayer~~ is allowed a credit against the ~~portion~~
1.10 ~~of the franchise tax computed under section 290.06, subdivision 1,~~ for the taxable year
1.11 equal to:

- 1.12 (a) 5 percent of the first \$2,000,000 of the excess (if any) of
- 1.13 (1) the qualified research expenses for the taxable year, over
- 1.14 (2) the base amount; and
- 1.15 (b) 2.5 percent on all of such excess expenses over \$2,000,000.

1.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
1.17 December 31, 2006.

1.18 Sec. 2. Minnesota Statutes 2006, section 290.068, subdivision 3, is amended to read:

1.19 Subd. 3. **Limitation; carryover.** (a)(1) The credit for the taxable year shall not
1.20 exceed the liability for tax. "Liability for tax" for purposes of this section means the tax
1.21 imposed under this chapter for the taxable year reduced by the sum of the nonrefundable
1.22 credits allowed under this chapter.

2.1 ~~(2) In the case of a corporation which is a partner in~~ For a partnership, the credit
 2.2 allowed for the taxable year shall not exceed the lesser of the amount determined under
 2.3 clause (1) for the taxable year or an amount (separately computed with respect to the
 2.4 ~~corporation's taxpayer's~~ interest in the trade or business or entity) equal to the amount of
 2.5 tax attributable to that portion of taxable income which is allocable or apportionable to the
 2.6 ~~corporation's taxpayer's~~ interest in the trade or business or entity.

2.7 (b) If the amount of the credit determined under this section for any taxable year
 2.8 exceeds the limitation under ~~clause paragraph~~ (a), the commissioner shall refund ...
 2.9 percent of the excess up to a maximum of \$..... to the taxpayer.

2.10 (c) The excess shall be over the amount refunded to the taxpayer under paragraph
 2.11 (b) is a research credit carryover to each of the 15 succeeding taxable years. The entire
 2.12 amount of the excess unused credit for the taxable year shall be carried first to the earliest
 2.13 of the taxable years to which the credit may be carried and then to each successive year
 2.14 to which the credit may be carried. The amount of the unused credit which may be
 2.15 added under this ~~clause paragraph~~ shall not exceed the taxpayer's liability for tax less the
 2.16 research credit for the taxable year.

2.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.18 December 31, 2006.

2.19 Sec. 3. Minnesota Statutes 2006, section 290.068, subdivision 4, is amended to read:

2.20 Subd. 4. **Partnerships Noncorporate taxpayers.** ~~In the case of partnerships~~
 2.21 For taxpayers other than corporations, the credit shall be allocated in the same manner
 2.22 provided by ~~section~~ sections 41(f)(2) and 41(g) of the Internal Revenue Code.

2.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.24 December 31, 2006.

2.25 Sec. 4. Minnesota Statutes 2006, section 290.068, is amended by adding a subdivision
 2.26 to read:

2.27 Subd. 7. **Appropriation.** An amount sufficient to pay the refunds required by this
 2.28 section is appropriated to the commissioner from the general fund.

2.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.30 December 31, 2006.