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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 3704

March 3, 2008

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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; franchise; modifying the credit for increasing research
1.3 activities; appropriating money; amending Minnesota Statutes 2006, section
1.4 290.068, subdivisions 1, 3, by adding a subdivision.

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

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

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

- 1.10 (a) ~~5~~ ten percent of the first ~~\$2,000,000~~ \$250,000 of the excess (if any) of
1.11 (1) the qualified research expenses for the taxable year, over
1.12 (2) the base amount; and
1.13 (b) ~~2.5~~ five percent on all of such excess expenses over ~~\$2,000,000~~ \$250,000.

1.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
1.15 December 31, 2007.

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

1.17 Subd. 3. **Credit refundable; limitation; carryover.** (a)(1) ~~The credit for the~~
1.18 ~~taxable year shall not exceed the liability for tax~~ If the amount of the credit which the
1.19 taxpayer is eligible to receive under this section exceeds the taxpayer's liability for tax
1.20 under this chapter, the commissioner must allow an amount, not to exceed \$25,000, as
1.21 a credit against any liability for tax under section 290.0921, and refund any remaining
1.22 amount to the taxpayer. "Liability for tax" for purposes of this section means the tax

2.1 imposed under this chapter for the taxable year reduced by the sum of the nonrefundable
2.2 credits allowed under this chapter.

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

2.9 (3) If a taxpayer entitled to the credit provided by this section is a member of
2.10 a unitary business which is required to file a combined report under section 290.17,
2.11 subdivision 4, paragraph (j), the credit may be claimed in all or in part by any corporation
2.12 included in the combined report.

2.13 (b) If the amount of the credit determined under this section for any taxable year
2.14 exceeds the limitation under clause (a), the excess shall be a research credit carryover to
2.15 each of the 15 succeeding taxable years. The entire amount of the excess unused credit for
2.16 the taxable year shall be carried first to the earliest of the taxable years to which the credit
2.17 may be carried and then to each successive year to which the credit may be carried. The
2.18 amount of the unused credit which may be added under this clause shall not exceed the
2.19 taxpayer's liability for tax less the research credit for the taxable year.

2.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.21 December 31, 2007, and this section applies to credit amounts carried over from prior
2.22 taxable years.

2.23 Sec. 3. Minnesota Statutes 2006, section 290.068, is amended by adding a subdivision
2.24 to read:

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