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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. 37

January 12, 2009

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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 research credit to individual income tax; making
1.3 portion of credit refundable; appropriating money; amending Minnesota Statutes
1.4 2008, section 290.068, subdivisions 1, 2, 3, 4, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2008, section 290.068, subdivision 1, is amended to read:

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

1.11 ~~(a)~~ (1) 5 percent of the first \$2,000,000 of the excess (if any) of:

1.12 ~~(1)~~ (i) the qualified research expenses for the taxable year, over

1.13 ~~(2)~~ (ii) the base amount; and

1.14 ~~(b)~~ (2) 2.5 percent on all of such excess expenses over \$2,000,000.

1.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after

1.16 December 31, 2008.

1.17 Sec. 2. Minnesota Statutes 2008, section 290.068, subdivision 2, is amended to read:

1.18 Subd. 2. **Definitions.** For purposes of this section, the following terms have the
1.19 meanings given.

1.20 (a) "Qualified research expenses" means (i) qualified research expenses and basic
1.21 research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except
1.22 it does not include expenses incurred for qualified research or basic research conducted
1.23 outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue

2.1 Code; and (ii) contributions to a nonprofit corporation established and operated pursuant
 2.2 to the provisions of chapter 317A for the purpose of promoting the establishment and
 2.3 expansion of business in this state, provided the contributions are invested by the nonprofit
 2.4 corporation for the purpose of providing funds for small, technologically innovative
 2.5 enterprises in Minnesota during the early stages of their development.

2.6 (b) "Qualified research" means qualified research as defined in section 41(d) of the
 2.7 Internal Revenue Code, except that the term does not include qualified research conducted
 2.8 outside the state of Minnesota.

2.9 (c) "Base amount" means base amount as defined in section 41(c) of the Internal
 2.10 Revenue Code, except that the average annual gross receipts must be calculated using
 2.11 Minnesota sales or receipts under section 290.191 and the definitions contained in ~~clauses~~
 2.12 paragraphs (a) and (b) shall apply.

2.13 Sec. 3. Minnesota Statutes 2008, section 290.068, subdivision 3, is amended to read:

2.14 Subd. 3. **Limitation; carryover.** (a)(1) The credit for the taxable year shall not
 2.15 exceed the liability for tax. "Liability for tax" for purposes of this section means the tax
 2.16 imposed under section 290.06, subdivision 1, for the taxable year reduced by the sum of
 2.17 the nonrefundable credits allowed under this chapter.

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

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

2.27 (c) The excess shall be over the amount refunded to the taxpayer under paragraph
 2.28 (b) is a research credit carryover to each of the 15 succeeding taxable years. The entire
 2.29 amount of the excess unused credit for the taxable year shall be carried first to the earliest
 2.30 of the taxable years to which the credit may be carried and then to each successive year
 2.31 to which the credit may be carried. The amount of the unused credit which may be
 2.32 added under this ~~clause paragraph~~ shall not exceed the taxpayer's liability for tax less the
 2.33 research credit for the taxable year.

2.34 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.35 December 31, 2008.

3.1 Sec. 4. Minnesota Statutes 2008, section 290.068, subdivision 4, is amended to read:

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

3.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.6 December 31, 2008.

3.7 Sec. 5. Minnesota Statutes 2008, section 290.068, is amended by adding a subdivision
3.8 to read:

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

3.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.12 December 31, 2008.