

HOUSE BILL No. 4282

February 22, 1989, Introduced by Reps. Law, Middaugh, Miller, Runco and DeMars and referred to the Committee on Taxation.

A bill to amend Act No. 228 of the Public Acts of 1975, entitled

"Single business tax act,"

as amended, being sections 208.1 to 208.145 of the Michigan Compiled Laws, by adding section 37c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 228 of the Public Acts of 1975, as
2 amended, being sections 208.1 to 208.145 of the Michigan Compiled
3 Laws, is amended by adding section 37c to read as follows:

4 SEC. 37C. (1) FOR TAX YEARS BEGINNING AFTER DECEMBER 31,
5 1988, AND ENDING BEFORE JULY 1, 1992, A TAXPAYER MAY CLAIM A
6 CREDIT AGAINST THE TAX IMPOSED BY SECTION 31 IN AN AMOUNT EQUAL
7 TO 10% OF THE EXCESS, IF ANY, OF QUALIFIED RESEARCH EXPENSES FOR
8 THE TAXABLE YEAR OVER BASE PERIOD RESEARCH EXPENSES.

1 (2) FOR THE PURPOSE OF CALCULATING THE CREDIT UNDER THIS
2 SECTION, THE QUALIFIED RESEARCH EXPENSES FOR EACH YEAR IN THE
3 BASE PERIOD SHALL BE ADJUSTED AS FOLLOWS:

4 (A) THE IMPLICIT PRICE DEFLATOR FOR THE BASE PERIOD YEAR
5 SHALL BE DIVIDED INTO THE IMPLICIT PRICE DEFLATOR FOR THE DETER-
6 MINATION YEAR.

7 (B) THE QUALIFIED RESEARCH EXPENSES FOR THE YEAR SHALL BE
8 MULTIPLIED BY THE AMOUNT RESULTING FROM THE COMPUTATION IN SUBDI-
9 VISION (A).

10 (3) THE CREDIT ALLOWED BY THIS SECTION IS NONREFUNDABLE AND
11 SHALL BE USED ONLY TO OFFSET THE TAX OTHERWISE DUE UNDER THIS
12 ACT.

13 (4) THE DEPARTMENT AND THE DEPARTMENT OF COMMERCE SHALL CON-
14 DUCT AN EVALUATION AND MAKE A REPORT ON THE EFFECTIVENESS OF THE
15 CREDIT PROVIDED BY THIS SECTION IN THE PROMOTION OF RESEARCH AND
16 DEVELOPMENT EXPENDITURES AND THE CREATION OF JOBS IN THIS STATE.
17 THE REPORT SHALL BE SUBMITTED ON SEPTEMBER 30, 1991, TO THE HOUSE
18 AND SENATE COMMITTEES HAVING JURISDICTION OVER TAXATION, ECONOMIC
19 DEVELOPMENT, AND LABOR. AT A MINIMUM, THE REPORT SHALL PROVIDE
20 DATA INDICATING THE NUMBER OF TAXPAYERS CLAIMING THE CREDIT BY
21 SIZE AND TYPE OF BUSINESS AND THE TAX SAVINGS ACHIEVED BY THOSE
22 TAXPAYERS BY THE SIZE AND TYPE OF BUSINESS.

23 (5) AS USED IN THIS SECTION:

24 (A) "BASE PERIOD", "BASE PERIOD RESEARCH EXPENSES", "BASIC
25 RESEARCH", "DETERMINATION YEAR", "QUALIFIED RESEARCH", "QUALIFIED
26 RESEARCH EXPENSES", AND "QUALIFIED SERVICES" MEAN, EXCEPT AS

1 MODIFIED IN THIS SUBSECTION, THOSE TERMS AS DEFINED AND USED IN
2 SECTION 41 OF THE INTERNAL REVENUE CODE.

3 (B) "BASE PERIOD RESEARCH EXPENSES" MEANS THE AVERAGE OF THE
4 QUALIFIED RESEARCH EXPENSES FOR EACH YEAR IN THE BASE PERIOD
5 AFTER THOSE EXPENSES ARE ADJUSTED PURSUANT TO SUBSECTION (2).

6 (C) "BASIC RESEARCH" DOES NOT INCLUDE BASIC RESEARCH CON-
7 DUCTED OUTSIDE THIS STATE.

8 (D) "IMPLICIT PRICE DEFLATOR" MEANS THE IMPLICIT PRICE
9 DEFLATOR FOR THE GROSS NATIONAL PRODUCT FOR NONFARM BUSINESS,
10 EXCLUDING HOUSING. THE DEPARTMENT SHALL COMPUTE AND CERTIFY THE
11 IMPLICIT PRICE DEFLATOR FOR EACH BASE PERIOD YEAR, BASED ON
12 REPORTS FROM THE BUREAU OF ECONOMIC ANALYSIS, UNITED STATES
13 DEPARTMENT OF COMMERCE, ON AN ANNUAL, CALENDAR YEAR BASIS. THE
14 IMPLICIT PRICE DEFLATOR FOR A CALENDAR YEAR SHALL BE APPLIED TO
15 QUALIFIED RESEARCH EXPENSES FOR A TAX YEAR ENDING IN THAT CALEN-
16 DAR YEAR.

17 (E) "QUALIFIED RESEARCH" DOES NOT INCLUDE QUALIFIED RESEARCH
18 CONDUCTED OUTSIDE THIS STATE.

19 (F) "QUALIFIED RESEARCH EXPENSES" INCLUDES 100% OF OTHERWISE
20 QUALIFIED RESEARCH EXPENSES PAID OR INCURRED FOR BASIC RESEARCH
21 TO AN EDUCATIONAL ORGANIZATION THAT MEETS THE QUALIFICATIONS IN
22 SECTION 170(b)(1)(A)(ii) OF THE INTERNAL REVENUE CODE AND THAT IS
23 AN INSTITUTION OF HIGHER EDUCATION LOCATED IN THE STATE OF
24 MICHIGAN.

25 (G) "QUALIFIED RESEARCH EXPENSES" DOES NOT INCLUDE EITHER OF
26 THE FOLLOWING:

1 (i) EXPENSES FOR TANGIBLE ASSETS ELIGIBLE FOR DEDUCTION
2 UNDER SECTION 23.

3 (ii) EXPENSES FOR OTHERWISE QUALIFIED RESEARCH SUPPORTED IN
4 WHOLE OR IN PART BY FEDERAL GOVERNMENT RESEARCH GRANTS OR
5 CONTRACTS.

6 (H) "QUALIFIED SERVICES" DOES NOT INCLUDE QUALIFIED SERVICES
7 PERFORMED OUTSIDE THIS STATE.