

# Legislative Analysis



## RESEARCH AND DEVELOPMENT TAX CREDIT DEFINITIONS ACT

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<http://www.house.mi.gov/hfa>

**House Bill 5187 (proposed substitute H-1)**  
**Sponsor: Rep. Rachel Hood**  
**Committee: Economic Development and Small Business**  
**Complete to 10-31-23**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5187 would create the “Research and Development Tax Credit Definitions Act.” The bill would define the following terms with respect to a research and development (R&D) tax credit to be administered under the Income Tax Act:

*Authorized business* would mean a taxpayer subject to the corporate income tax or a flow-through entity, as applicable, that has increased its qualifying research and development expenses.

*Base amount* would mean the average annual amount of qualifying research and development expenses during the three calendar years immediately preceding the calendar year ending with or within the tax year for which a research and development tax credit is claimed. An authorized business with no prior qualifying R&D expenses would have a base amount of zero, and if qualifying R&D expenses were incurred in only one or two of those three years, then the average annual amount would be based on the number of calendar years in which qualifying R&D expenses were incurred.

*Qualifying research and development expenses* would mean qualified research expenses (QREs), as that term is defined under federal law, for research conducted in Michigan.<sup>1</sup> Generally, it would mean spending for technological research, including employee wages, contract expenses, and supply costs.

*Research university* would mean a public university in Michigan or an independent nonprofit college or university in Michigan.

### FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

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<sup>1</sup> For a full description of qualified research expenses, see: <https://www.irs.gov/businesses/audit-techniques-guide-credit-for-increasing-research-activities-ie-research-tax-credit-irc-ss-41-qualified-research-expenses>.