

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.677 Research and development credit.**

Sec. 677.

(1) Subject to the limitations under this section, for tax years beginning on and after January 1, 2025, a taxpayer that is an authorized business may claim a credit against the tax imposed under this part as follows:

(a) For an authorized business with 250 or more employees, an amount equal to the sum of 3% of the taxpayer's qualifying research and development expenses incurred during the calendar year ending with or within the tax year up to the base amount and 10% of the taxpayer's qualifying research and development expenses incurred during the calendar year ending with or within the tax year in excess of the base amount. The credit amount calculated under this subdivision must not exceed \$2,000,000.00 per tax year per taxpayer.

(b) For an authorized business with less than 250 employees, an amount equal to the sum of 3% of the taxpayer's qualifying research and development expenses incurred during the calendar year ending with or within the tax year up to the base amount and 15% of the taxpayer's qualifying research and development expenses incurred during the calendar year ending with or within the tax year in excess of the base amount. The credit amount calculated under this subdivision must not exceed \$250,000.00 per tax year per taxpayer.

(2) Subject to the limitations under this section, a taxpayer that is an authorized business may claim an additional credit equal to 5% of the qualifying research and development expenses used to calculate the credit under subsection (1) that were incurred in collaboration with a research university in this state pursuant to a written agreement between the taxpayer and the research university. In order to claim the additional credit under this subsection, if requested by the department, the taxpayer must provide the department with a copy of the written agreement with the research university. The additional credit allowed under this subsection must not exceed \$200,000.00 per tax year per taxpayer.

(3) To be eligible for a credit under this section, a taxpayer must submit, in a form and manner as prescribed by the department, a tentative claim for which a credit under this section is sought to the department on or before April 1, 2026 for tentative claims made for qualifying research and development expenses incurred during the 2025 calendar year and for tentative claims made for qualifying research and development expenses incurred for each calendar year after 2025 on or before March 15 after the calendar year ending with or within the tax year for which the taxpayer intends to submit a claim for the credit on the taxpayer's annual return required under this part. The tentative claim required under this subsection must include, at a minimum, all of the following information:

(a) If the credit is to be claimed under subsection (1)(a) or (b).

(b) The amount of qualifying research and development expenses incurred for which a credit is being claimed.

(c) If an additional credit is to be claimed under subsection (2) for collaboration with a research university.

(4) The department shall review all tentative claims submitted under subsection (3) and if the amount of tentative claims submitted exceeds the amount of credits allowed under subsection (5), the department shall publish a notice on its website notifying taxpayers of the adjustment to the tentative claims for that calendar year as required under subsection (5).

(5) The aggregate amount of credits allowed to be claimed by all taxpayers under this section and all employers under section 717 based on qualifying research and development expenses incurred in a single calendar year must not exceed \$100,000,000.00. If the aggregate amount of tentative claims submitted under this section and section 717 exceeds \$100,000,000.00, the department shall prorate the amount of credits allowed for each claimant as follows:

(a) If the aggregate amount of tentative claims submitted by all taxpayers qualifying under subsection (1)(b) and all employers qualifying under section 717(1)(b) does not exceed \$25,000,000.00, the amount of credits claimed by each of those claimants must not be prorated. However, for taxpayers submitting a tentative claim for a credit under subsection (1)(a) or employers submitting a tentative claim for a credit under section 717(1)(a), the amount of tentative claims submitted must be prorated so that each claimant's allowed credits equal that claimant's pro rata share of the remaining amount of credits allowed to be claimed under this subsection and section 717(5).

(b) Except as provided in subdivision (c), if the aggregate amount of tentative claims submitted by all taxpayers qualifying under subsection (1)(b) and all employers qualifying under section 717(1)(b) exceeds \$25,000,000.00, the amount of tentative claims submitted by each of those claimants must be prorated so that each claimant's allowed credits equal that claimant's pro rata share of \$25,000,000.00, and the amount of tentative claims submitted by each taxpayer qualifying under subsection (1)(a) or employer qualifying under section 717(1)(a) must be prorated so that each claimant's allowed credits equal that claimant's pro rata share of \$75,000,000.00.

(c) If the aggregate amount of tentative claims submitted by all taxpayers qualifying under subsection (1)(b) and all employers qualifying under section 717(1)(b) exceeds 25% of the aggregate amount of tentative claims submitted by all taxpayers under this section and employers under section 717, then the proration under subdivision

(b) does not apply, and the amount of tentative claims submitted by each taxpayer under this section and employer under section 717 shall be prorated so that each claimant's allowed credits equal that claimant's pro rata share of \$100,000,000.00.

(6) A taxpayer shall not assign or transfer all or any portion of a credit allowed under this section. A credit or any portion of a credit allowed under this section is not assignable or transferable either by agreement or by operation of law.

(7) A taxpayer shall, in a form and manner as prescribed by the department, file a claim for a credit under this section with the annual return required to be filed under this part for the same tax year for which a credit under this section is claimed. The credits allowed under this section must be claimed after all allowable nonrefundable credits under this part. If the amount of the credits allowed under this section exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability of the taxpayer for the tax year must be refunded.

(8) As used in this section:

(a) "Authorized business" means a taxpayer that has incurred during the calendar year ending with or within the tax year for which a credit is being claimed under this section qualifying research and development expenses in excess of the base amount.

(b) "Base amount" means the average annual amount of qualifying research and development expenses incurred during the 3 calendar years immediately preceding the calendar year ending with or within the tax year for which a credit is being claimed under this section. An authorized business with no prior qualifying research and development expenses has a base amount of zero. If qualifying research and development expenses were incurred in only 1 or 2 of the immediately preceding 3 calendar years, the average annual amount must be based on the number of calendar years during which qualifying research and development expenses were incurred.

(c) "Qualifying research and development expenses" means qualified research expenses as that term is defined in section 41(b) of the internal revenue code for research conducted in this state. Qualifying research and development expenses do not include qualified research expenses for research conducted outside of this state.

(d) "Research university" means a public university described in section 4, 5, or 6 of article VIII of the state constitution of 1963 or an independent nonprofit college or university in this state.

**History:** Add. 2024, Act 186, Eff. Apr. 2, 2025