

1 SB122  
2 158651-2  
3 By Senator Orr  
4 RFD: Commerce, Transportation, and Utilities  
5 First Read: 14-JAN-14

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4 ENGROSSED

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7 A BILL  
8 TO BE ENTITLED  
9 AN ACT

10  
11 To provide for a new tax credit program for  
12 qualified research expenses within the state, with an  
13 increased incentive for research conducted by universities or  
14 certain research institutions within the state.

15 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

16 Section 1. A. For tax years beginning from and  
17 after January 1, 2015, a credit is allowed against the taxes  
18 imposed by Chapter 18 of Title 40, Code of Alabama 1975, in an  
19 amount determined pursuant to Section 41 of the Internal  
20 Revenue Code, except that:

21 1. The amount of the credit is computed as follows:

22 (a) Add:

23 (i) The excess, if any, of the qualified research  
24 expenses for the taxable year over the base amount as defined  
25 in Section 41(c) of the Internal Revenue Code.

26 (ii) The basic research payments determined under  
27 Section 41(e)(1)(A) of the Internal Revenue Code.

1 (b) If the sum computed under subdivision (a) is two  
2 million five hundred thousand dollars or less, the credit is  
3 equal to 15 percent of that amount.

4 (c) If the sum computed under subdivision (a) is  
5 over two million five hundred thousand dollars, the credit is  
6 equal to six hundred thousand dollars plus fifteen percent of  
7 any amount exceeding two million five hundred thousand  
8 dollars;

9 (d) An additional credit amount is allowed if the  
10 taxpayer made basic research payments during the taxable year  
11 to a public university in the State of Alabama, university  
12 research foundations, Hudson Alpha Institute, or the Southern  
13 Research Institute. The additional credit amount is equal to  
14 25 percent of the excess, if any, of the basic research  
15 payments over the qualified organization base period amount  
16 for the taxable year. The additional credit amount under this  
17 subdivision shall not exceed the amount allowed based on  
18 actual basic research payments or the Department of Revenue's  
19 certification, whichever is less.

20 2. The Department of Revenue shall not allow credit  
21 amounts under this section that exceed, in the aggregate,  
22 combined totals of the following amounts in the following tax  
23 years: for tax years beginning January 1, in 2015, and 2016,  
24 an aggregate total amount of two million five hundred thousand  
25 dollars; for tax years beginning January 1, in 2017, and 2018,  
26 an aggregate total amount of three million five hundred  
27 thousand dollars; for tax years beginning January 1, 2019, and

1 for all tax years thereafter, an aggregate total amount of  
2 five million dollars. Subject to these limits, on application  
3 by the taxpayer, the Department shall certify credit amounts  
4 under this section based on priority placement established by  
5 the date that the taxpayer filed the application. If an  
6 application, if certified in full, would exceed the five  
7 million dollar limit, the Department shall certify only an  
8 amount within that limit. After the limit is attained, the  
9 Department shall deny any subsequent applications regardless  
10 of whether other certified amounts are not actually claimed as  
11 a credit or other taxpayers fail to qualify to actually claim  
12 certified amounts. Any amount of the additional credit under  
13 this section that exceeds the taxes otherwise due is not  
14 refundable, but may be carried forward to the next five  
15 consecutive taxable years.

16 3. Qualified research includes only research  
17 conducted in this state including research conducted at a  
18 university, university research foundation, Hudson Alpha  
19 Institute, or the Southern Research Institute in this state  
20 and paid for by the taxpayer.

21 4. If two or more taxpayers, including corporate  
22 partners in a partnership, share in the eligible expenses,  
23 each taxpayer is eligible to receive a proportionate share of  
24 the credit.

25 5. The credit under this section applies only to  
26 expenses incurred from and after January 1, 2015.

1           6. The termination provisions of section 41 of the  
2 Internal Revenue Code do not apply.

3           B. If a taxpayer has qualified research expenses  
4 that are carried forward from the taxable years beginning  
5 before January 1, 2015, the amount of the expenses carried  
6 forward shall be converted to a credit carryforward by  
7 multiplying the amount of qualified expenses carried forward  
8 by twenty percent. A credit carryforward determined under this  
9 Section may be carried forward to not more than five years  
10 from the year in which the expenses were incurred.

11           Section 2. A. For taxable years beginning January 1,  
12 2015, if a taxpayer who claims a credit under this Act employs  
13 fewer than one hundred fifty persons in the taxpayer's trade  
14 or business and if the allowable credit under this bill  
15 exceeds the taxes otherwise due on the claimant's income, or  
16 if there are no taxes due, in lieu of carrying the excess  
17 amount of credit forward to subsequent taxable years under  
18 Subsection B of Section 1, the taxpayer may elect to receive a  
19 refund as follows:

20           1. The taxpayer must apply to the Alabama Department  
21 of Commerce for qualification for the refund and submit a copy  
22 of the Department's certificate of qualification to the  
23 Department of Revenue with the taxpayer's income tax return  
24 and

25           2. The amount of the refund is limited to  
26 seventy-five percent of the amount by which the allowable  
27 credit under Act exceeds the taxpayer's tax liability for the

1 taxable year. The remainder of the excess amount of the credit  
2 if waived.

3 B. The Department of Commerce shall not allow an  
4 aggregate refundable credit amount except as follows: for tax  
5 years beginning January 1, in 2015, and 2016, an aggregate  
6 total amount of one million dollars; for tax years beginning  
7 on January 1, in 2017, and 2018, an aggregate total of one  
8 million five hundred thousand dollars; for tax years beginning  
9 January 1, 2019, and all tax years thereafter an aggregate  
10 total amount of two million dollars.

11 Section 3. This act shall become effective for  
12 taxable years beginning January 1, 2015, following its passage  
13 and approval by the Governor, or its otherwise becoming law.

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Senate

Read for the first time and referred to the Senate  
committee on Commerce, Transportation, and Utili-  
ties..... 14-JAN-14

Read for the second time and placed on the calen-  
dar 1 amendment..... 23-JAN-14

Read for the third time and passed as amended .... 20-FEB-14

Yeas 32  
Nays 0

Patrick Harris  
Secretary