

1 SB122
2 156038-2
3 By Senator Orr
4 RFD: Commerce, Transportation, and Utilities
5 First Read: 14-JAN-14

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8 SYNOPSIS: Under existing law, there are no tax credits
9 extended to business for qualified research
10 expenses incurred within the state.

11 This bill would provide a limited tax credit
12 and refundable tax credit against state income
13 taxes for qualified research expenses incurred by
14 businesses, including pass-through entities, within
15 the state parallel to the federal research and
16 development tax credit, with an increased incentive
17 if certain universities or research institutions
18 participate.

19
20 A BILL
21 TO BE ENTITLED
22 AN ACT
23

24 To provide for a new tax credit program for
25 qualified research expenses within the state, with an
26 increased incentive for research conducted by universities or
27 certain research institutions within the state.

1 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

2 Section 1. A. For tax years beginning from and
3 after January 1, 2014, a credit is allowed against the taxes
4 imposed by Chapter 18 of Title 40, Code of Alabama 1975, in an
5 amount determined pursuant to Section 41 of the Internal
6 Revenue Code, except that:

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

8 (a) Add:

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

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

14 (b) If the sum computed under subdivision (a) is two
15 million five hundred thousand dollars or less, the credit is
16 equal to 24 percent of that amount.

17 (c) If the sum computed under subdivision (a) is
18 over two million five hundred thousand dollars, the credit is
19 equal to six hundred thousand dollars plus fifteen percent of
20 any amount exceeding two million five hundred thousand
21 dollars;

22 (d) An additional credit amount is allowed if the
23 taxpayer made basic research payments during the taxable year
24 to a public university in the State of Alabama, Hudson Alpha
25 Institute, or the Southern Research Institute. The additional
26 credit amount is equal to 10 percent of the excess, if any, of
27 the basic research payments over the qualified organization

1 base period amount for the taxable year. The additional credit
2 amount under this subdivision shall not exceed the amount
3 allowed based on actual basic research payments or the
4 Department of Revenue's certification, whichever is less.

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

21 3. Qualified research includes only research
22 conducted in this state including research conducted at a
23 university, Hudson Alpha Institute, or the Southern Research
24 Institute in this state and paid for by the taxpayer.

25 4. If two or more taxpayers, including corporate
26 partners in a partnership, share in the eligible expenses,

1 each taxpayer is eligible to receive a proportionate share of
2 the credit.

3 5. The credit under this section applies only to
4 expenses incurred from and after January 1, 2014.

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

7 B. If a taxpayer has qualified research expenses
8 that are carried forward from the taxable years beginning
9 before January 1, 2014, the amount of the expenses carried
10 forward shall be converted to a credit carryforward by
11 multiplying the amount of qualified expenses carried forward
12 by twenty percent. A credit carryforward determined under this
13 Section may be carried forward to not more than five years
14 from the year in which the expenses were incurred.

15 Section 2. A. For taxable years beginning January 1,
16 2014, if a taxpayer who claims a credit under this Act employs
17 fewer than one hundred fifty persons in the taxpayer's trade
18 or business and if the allowable credit under this bill
19 exceeds the taxes otherwise due on the claimant's income, or
20 if there are no taxes due, in lieu of carrying the excess
21 amount of credit forward to subsequent taxable years under
22 Subsection B of Section 1, the taxpayer may elect to receive a
23 refund as follows:

24 1. The taxpayer must apply to the Alabama Department
25 of Commerce for qualification for the refund and submit a copy
26 of the Department's certificate of qualification to the

1 Department of Revenue with the taxpayer's income tax return
2 and

3 2. The amount of the refund is limited to
4 seventy-five percent of the amount by which the allowable
5 credit under Act exceeds the taxpayer's tax liability for the
6 taxable year. The remainder of the excess amount of the credit
7 if waived.

8 B. The Department of Commerce shall not allow
9 refundable credit amounts under this Section to exceed a total
10 of two million dollars in any calendar year.

11 Section 3. This act shall become effective for
12 taxable years beginning January 1, 2014, following its passage
13 and approval by the Governor, or its otherwise becoming law.