

113TH CONGRESS  
2D SESSION

# H. R. 4438

To amend the Internal Revenue Code of 1986 to simplify and make permanent the research credit.

---

## IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 2014

Mr. BRADY of Texas (for himself, Mr. LARSON of Connecticut, Mr. PAULSEN, Ms. ESHOO, Mr. McCAUL, Ms. MATSUI, Mr. SAM JOHNSON of Texas, Mr. NEAL, and Mr. SCHOCK) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to simplify and make permanent the research credit.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Research  
5 and Competitiveness Act of 2014”.

1 **SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-**  
2 **NENT.**

3 (a) **IN GENERAL.**—Subsection (a) of section 41 of the  
4 Internal Revenue Code of 1986 is amended to read as fol-  
5 lows:

6 “(a) **IN GENERAL.**—For purposes of section 38, the  
7 research credit determined under this section for the tax-  
8 able year shall be an amount equal to the sum of—

9 “(1) 20 percent of so much of the qualified re-  
10 search expenses for the taxable year as exceeds 50  
11 percent of the average qualified research expenses  
12 for the 3 taxable years preceding the taxable year  
13 for which the credit is being determined,

14 “(2) 20 percent of so much of the basic re-  
15 search payments for the taxable year as exceeds 50  
16 percent of the average basic research payments for  
17 the 3 taxable years preceding the taxable year for  
18 which the credit is being determined, plus

19 “(3) 20 percent of the amounts paid or in-  
20 curred by the taxpayer in carrying on any trade or  
21 business of the taxpayer during the taxable year (in-  
22 cluding as contributions) to an energy research con-  
23 sortium for energy research.”.

24 (b) **REPEAL OF TERMINATION.**—Section 41 of such  
25 Code is amended by striking subsection (h).

26 (c) **CONFORMING AMENDMENTS.**—

1           (1) Subsection (c) of section 41 of such Code  
2 is amended to read as follows:

3           “(c) DETERMINATION OF AVERAGE RESEARCH EX-  
4 PENSES FOR PRIOR YEARS.—

5           “(1) SPECIAL RULE IN CASE OF NO QUALIFIED  
6 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING  
7 TAXABLE YEARS.—In any case in which the taxpayer  
8 has no qualified research expenses in any one of the  
9 3 taxable years preceding the taxable year for which  
10 the credit is being determined, the amount deter-  
11 mined under subsection (a)(1) for such taxable year  
12 shall be equal to 10 percent of the qualified research  
13 expenses for the taxable year.

14           “(2) CONSISTENT TREATMENT OF EX-  
15 PENSES.—

16           “(A) IN GENERAL.—Notwithstanding  
17 whether the period for filing a claim for credit  
18 or refund has expired for any taxable year  
19 taken into account in determining the average  
20 qualified research expenses, or average basic re-  
21 search payments, taken into account under sub-  
22 section (a), the qualified research expenses and  
23 basic research payments taken into account in  
24 determining such averages shall be determined  
25 on a basis consistent with the determination of

1 qualified research expenses and basic research  
2 payments, respectively, for the credit year.

3 “(B) PREVENTION OF DISTORTIONS.—The  
4 Secretary may prescribe regulations to prevent  
5 distortions in calculating a taxpayer’s qualified  
6 research expenses or basic research payments  
7 caused by a change in accounting methods used  
8 by such taxpayer between the current year and  
9 a year taken into account in determining the  
10 average qualified research expenses or average  
11 basic research payments taken into account  
12 under subsection (a).”.

13 (2) Section 41(e) of such Code is amended—

14 (A) by striking all that precedes paragraph  
15 (6) and inserting the following:

16 “(e) BASIC RESEARCH PAYMENTS.—For purposes of  
17 this section—

18 “(1) IN GENERAL.—The term ‘basic research  
19 payment’ means, with respect to any taxable year,  
20 any amount paid in cash during such taxable year  
21 by a corporation to any qualified organization for  
22 basic research but only if—

23 “(A) such payment is pursuant to a writ-  
24 ten agreement between such corporation and  
25 such qualified organization, and

1           “(B) such basic research is to be per-  
2           formed by such qualified organization.

3           “(2) EXCEPTION TO REQUIREMENT THAT RE-  
4           SEARCH BE PERFORMED BY THE ORGANIZATION.—  
5           In the case of a qualified organization described in  
6           subparagraph (C) or (D) of paragraph (3), subpara-  
7           graph (B) of paragraph (1) shall not apply.”,

8           (B) by redesignating paragraphs (6) and  
9           (7) as paragraphs (3) and (4), respectively, and  
10          (C) in paragraph (4) as so redesignated,  
11          by striking subparagraphs (B) and (C) and by  
12          redesignating subparagraphs (D) and (E) as  
13          subparagraphs (B) and (C), respectively.

14          (3) Section 41(f)(3) of such Code is amended—

15           (A)(i) by striking “, and the gross re-  
16           ceipts” in subparagraph (A)(i) and all that fol-  
17           lows through “determined under clause (iii)”,

18           (ii) by striking clause (iii) of subparagraph  
19           (A) and redesignating clauses (iv), (v), and (vi),  
20           thereof, as clauses (iii), (iv), and (v), respec-  
21           tively,

22           (iii) by striking “and (iv)” each place it  
23           appears in subparagraph (A)(iv) (as so redesi-  
24           gnated) and inserting “and (iii)”,

1 (iv) by striking subclause (IV) of subpara-  
2 graph (A)(iv) (as so redesignated), by striking  
3 “, and” at the end of subparagraph (A)(iv)(III)  
4 (as so redesignated) and inserting a period, and  
5 by adding “and” at the end of subparagraph  
6 (A)(v)(II) (as so redesignated),

7 (v) by striking “(A)(vi)” in subparagraph  
8 (B) and inserting “(A)(v)”, and

9 (vi) by striking “(A)(iv)(II)” in subpara-  
10 graph (B)(i)(II) and inserting “(A)(iii)(II)”,

11 (B) by striking “, and the gross receipts of  
12 the predecessor,” in subparagraph (A)(iv)(II)  
13 (as so redesignated),

14 (C) by striking “, and the gross receipts  
15 of,” in subparagraph (B),

16 (D) by striking “, or gross receipts of,” in  
17 subparagraph (B)(i)(I), and

18 (E) by striking subparagraph (C).

19 (d) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as provided in para-  
21 graph (2), the amendments made by this subsection  
22 shall apply to taxable years beginning after Decem-  
23 ber 31, 2013.

1           (2) SUBSECTION (b).—The amendment made  
2           by subsection (b) shall apply to amounts paid or in-  
3           curred after December 31, 2013.

○