

114TH CONGRESS
1ST SESSION

H. R. 880

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

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2015

Mr. BRADY of Texas (for himself, Mr. LARSON of Connecticut, Mr. SAM JOHNSON of Texas, Mr. SCHOCK, Mr. McCAUL, and Mr. NEAL) 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 2015”.

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

8 (a) IN GENERAL.—Section 41(a) of the Internal Rev-
9 enue Code of 1986 is amended to read as follows:

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

4 “(1) 20 percent of so much of the qualified re-
5 search expenses for the taxable year as exceeds 50
6 percent of the average qualified research expenses
7 for the 3 taxable years preceding the taxable year
8 for which the credit is being determined,

9 “(2) 20 percent of so much of the basic re-
10 search payments for the taxable year as exceeds 50
11 percent of the average basic research payments for
12 the 3 taxable years preceding the taxable year for
13 which the credit is being determined, plus

14 “(3) 20 percent of the amounts paid or in-
15 curred by the taxpayer in carrying on any trade or
16 business of the taxpayer during the taxable year (in-
17 cluding as contributions) to an energy research con-
18 sortium for energy research.”.

19 (b) REPEAL OF TERMINATION.—Section 41 of such
20 Code is amended by striking subsection (h).

21 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
22 IMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.—
23 Section 38(c)(4)(B) of such Code is amended by redesignig-
24 nating clauses (ii) through (ix) as clauses (iii) through (x),

1 respectively, and by inserting after clause (i) the following
2 new clause:

3 “(ii) the credit determined under sec-
4 tion 41 for the taxable year with respect to
5 an eligible small business (as defined in
6 paragraph (5)(C), after application of rules
7 similar to the rules of paragraph (5)(D)),”.

8 (d) CONFORMING AMENDMENTS.—

9 (1) Section 41(c) of such Code is amended to
10 read as follows:

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

13 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED
14 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING
15 TAXABLE YEARS.—In any case in which the taxpayer
16 has no qualified research expenses in any one of the
17 3 taxable years preceding the taxable year for which
18 the credit is being determined, the amount deter-
19 mined under subsection (a)(1) for such taxable year
20 shall be equal to 10 percent of the qualified research
21 expenses for the taxable year.

22 “(2) CONSISTENT TREATMENT OF EX-
23 PENSES.—

24 “(A) IN GENERAL.—Notwithstanding
25 whether the period for filing a claim for credit

1 or refund has expired for any taxable year
2 taken into account in determining the average
3 qualified research expenses, or average basic re-
4 search payments, taken into account under sub-
5 section (a), the qualified research expenses and
6 basic research payments taken into account in
7 determining such averages shall be determined
8 on a basis consistent with the determination of
9 qualified research expenses and basic research
10 payments, respectively, for the credit year.

11 “(B) PREVENTION OF DISTORTIONS.—The
12 Secretary may prescribe regulations to prevent
13 distortions in calculating a taxpayer’s qualified
14 research expenses or basic research payments
15 caused by a change in accounting methods used
16 by such taxpayer between the current year and
17 a year taken into account in determining the
18 average qualified research expenses or average
19 basic research payments taken into account
20 under subsection (a).”.

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

22 (A) by striking all that precedes paragraph
23 (6) and inserting the following:

24 “(e) BASIC RESEARCH PAYMENTS.—For purposes of
25 this section—

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

6 “(A) such payment is pursuant to a writ-
7 ten agreement between such corporation and
8 such qualified organization, and

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

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

16 (B) by redesignating paragraphs (6) and
17 (7) as paragraphs (3) and (4), respectively, and

18 (C) in paragraph (4), as so redesignated,
19 by striking subparagraphs (B) and (C) and by
20 redesignating subparagraphs (D) and (E) as
21 subparagraphs (B) and (C), respectively.

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

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

1 (ii) by striking clause (iii) of subparagraph
2 (A) and redesignating clauses (iv), (v), and (vi),
3 thereof, as clauses (iii), (iv), and (v), respec-
4 tively,

5 (iii) by striking “and (iv)” each place it
6 appears in subparagraph (A)(iv) (as so redesign-
7 ated) and inserting “and (iii)”,

8 (iv) by striking subclause (IV) of subpara-
9 graph (A)(iv) (as so redesignated), by striking
10 “, and” at the end of subparagraph (A)(iv)(III)
11 (as so redesignated) and inserting a period, and
12 by adding “and” at the end of subparagraph
13 (A)(iv)(II) (as so redesignated),

14 (v) by striking “(A)(vi)” in subparagraph
15 (B) and inserting “(A)(v)”, and

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

18 (B) by striking “, and the gross receipts of
19 the predecessor,” in subparagraph (A)(iv)(II)
20 (as so redesignated),

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

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

1 (E) by striking subparagraph (C) and in-
2 serting the following new subparagraph:

3 “(C) ADJUSTMENTS FOR BASIC RESEARCH
4 PAYMENTS.—In the case of basic research pay-
5 ments, rules similar to the rules of subpara-
6 graph (A) and (B) shall apply.”.

7 (4) Section 41(f)(4) of such Code is amended
8 by striking “and gross receipts” and inserting “and
9 basic research payments”.

10 (5) Section 45C(b)(1) of such Code is amended
11 by striking subparagraph (D).

12 (6) Section 45C(c)(2) of such Code is amend-
13 ed—

14 (A) by striking “base period research ex-
15 penses” and inserting “average qualified re-
16 search expenses”, and

17 (B) by striking “BASE PERIOD RESEARCH
18 EXPENSES” in the heading and inserting “AV-
19 ERAGE QUALIFIED RESEARCH EXPENSES”.

20 (7) Section 280C(c) of such Code is amended—

21 (A) by striking “basic research expenses
22 (as defined in section 41(e)(2))” in paragraph
23 (1) and inserting “basic research payments (as
24 defined in section 41(e)(1))”, and

1 (B) by striking “basic research expenses”
2 in paragraph (2)(B) and inserting “basic re-
3 search payments”.

4 (e) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), the amendments made by this subsection
7 shall apply to taxable years beginning after Decem-
8 ber 31, 2014.

9 (2) SUBSECTION (b).—The amendment made
10 by subsection (b) shall apply to amounts paid or in-
11 curred after December 31, 2014.

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