

106TH CONGRESS  
1ST SESSION

# H. R. 1274

To amend the Internal Revenue Code of 1986 to provide a credit for medical research related to developing vaccines against widespread diseases.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1999

Ms. PELOSI (for herself, Mr. RANGEL, Ms. ESHOO, Ms. KILPATRICK, Mr. LEWIS of Georgia, McDERMOTT, Mr. McNULTY, Mr. MATSUI, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit for medical research related to developing vaccines against widespread diseases.

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 “Lifesaving Vaccine  
5 Technology Act of 1999”.

1 **SEC. 2. CREDIT FOR MEDICAL RESEARCH RELATED TO DE-**  
2 **VELOPING VACCINES AGAINST WIDESPREAD**  
3 **DISEASES.**

4 (a) IN GENERAL.—Subpart D of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to business related credits) is amended by  
7 adding at the end the following new section:

8 **“SEC. 45D. CREDIT FOR MEDICAL RESEARCH RELATED TO**  
9 **DEVELOPING VACCINES AGAINST WIDE-**  
10 **SPREAD DISEASES.**

11 “(a) GENERAL RULE.—For purposes of section 38,  
12 the vaccine research credit determined under this section  
13 for the taxable year is an amount equal to 30 percent of  
14 the qualified vaccine research expenses for the taxable  
15 year.

16 “(b) QUALIFIED VACCINE RESEARCH EXPENSES.—  
17 For purposes of this section—

18 “(1) QUALIFIED VACCINE RESEARCH EX-  
19 PENSES.—

20 “(A) IN GENERAL.—Except as otherwise  
21 provided in this paragraph, the term ‘qualified  
22 vaccine research expenses’ means the amounts  
23 which are paid or incurred by the taxpayer dur-  
24 ing the taxable year which would be described  
25 in subsection (b) of section 41 if such sub-

1 section were applied with the modifications set  
2 forth in subparagraph (B).

3 “(B) MODIFICATIONS.—For purposes of  
4 subparagraph (A), subsection (b) of section 41  
5 shall be applied—

6 “(i) by substituting ‘vaccine research’  
7 for ‘qualified research’ each place it ap-  
8 pears in paragraphs (2) and (3) of such  
9 subsection, and

10 “(ii) by substituting ‘75 percent’ for  
11 ‘65 percent’ in paragraph (3)(A) of such  
12 subsection.

13 “(C) EXCLUSION FOR AMOUNTS FUNDED  
14 BY GRANTS, ETC.—The term ‘qualified vaccine  
15 research expenses’ shall not include any amount  
16 to the extent such amount is funded by any  
17 grant, contract, or otherwise by another person  
18 (or any governmental entity).

19 “(2) VACCINE RESEARCH.—The term ‘vaccine  
20 research’ means research to develop vaccines and  
21 microbicides for—

22 “(A) malaria,

23 “(B) tuberculosis,

24 “(C) HIV, or

1                   “(D) any infectious disease (of a single eti-  
2                   ology) which, according to the World Health  
3                   Organization, causes over 1,000,000 human  
4                   deaths annually.

5           “(c) COORDINATION WITH CREDIT FOR INCREASING  
6 RESEARCH EXPENDITURES.—

7                   “(1) IN GENERAL.—Except as provided in para-  
8                   graph (2), any qualified vaccine research expenses  
9                   for a taxable year to which an election under this  
10                  section applies shall not be taken into account for  
11                  purposes of determining the credit allowable under  
12                  section 41 for such taxable year.

13                  “(2) EXPENSES INCLUDED IN DETERMINING  
14                  BASE PERIOD RESEARCH EXPENSES.—Any qualified  
15                  vaccine research expenses for any taxable year which  
16                  are qualified research expenses (within the meaning  
17                  of section 41(b)) shall be taken into account in de-  
18                  termining base period research expenses for pur-  
19                  poses of applying section 41 to subsequent taxable  
20                  years.

21           “(d) SPECIAL RULES.—

22                   “(1) LIMITATIONS ON FOREIGN TESTING.—No  
23                  credit shall be allowed under this section with re-  
24                  spect to any vaccine research (other than human  
25                  clinical testing) conducted outside the United States.

1           “(2) CERTAIN RULES MADE APPLICABLE.—  
2       Rules similar to the rules of paragraphs (1) and (2)  
3       of section 41(f) shall apply for purposes of this sec-  
4       tion.

5           “(3) ELECTION.—This section (other than sub-  
6       section (e)) shall apply to any taxpayer for any tax-  
7       able year only if such taxpayer elects to have this  
8       section apply for such taxable year.

9           “(e) SHAREHOLDER EQUITY INVESTMENT CREDIT  
10      IN LIEU OF RESEARCH CREDIT.—

11           “(1) IN GENERAL.—For purposes of section 38,  
12      the vaccine research credit determined under this  
13      section for the taxable year shall include an amount  
14      equal to 20 percent of the amount paid by the tax-  
15      payer to acquire qualified research stock in a cor-  
16      poration if—

17           “(A) the amount received by the corpora-  
18      tion for such stock is used within 18 months  
19      after the amount is received to pay qualified  
20      vaccine research expenses of the corporation for  
21      which a credit would (but for subparagraph (B)  
22      and subsection (d)(3)) be determined under this  
23      section, and

24           “(B) the corporation waives its right to the  
25      credit determined under this section for the

1 qualified vaccine research expenses which are  
2 paid with such amount.

3 “(2) QUALIFIED RESEARCH STOCK.—For pur-  
4 poses of paragraph (1), the term ‘qualified research  
5 stock’ means any stock in a C corporation—

6 “(A) which is originally issued after the  
7 date of the enactment of the Lifesaving Vaccine  
8 Technology Act of 1999,

9 “(B) which is acquired by the taxpayer at  
10 its original issue (directly or through an under-  
11 writer) in exchange for money or other property  
12 (not including stock), and

13 “(C) as of the date of issuance, such cor-  
14 poration meets the gross assets tests of sub-  
15 paragraphs (A) and (B) of section 1202(d)(1).”

16 (b) INCLUSION IN GENERAL BUSINESS CREDIT.—

17 (1) IN GENERAL.—Section 38(b) of such Code  
18 is amended by striking “plus” at the end of para-  
19 graph (11), by striking the period at the end of  
20 paragraph (12) and inserting “, plus”, and by add-  
21 ing at the end the following new paragraph:

22 “(13) the vaccine research credit determined  
23 under section 45D.”.

1           (2) TRANSITION RULE.—Section 39(d) of such  
 2       Code is amended by adding at the end the following  
 3       new paragraph:

4           “(9) NO CARRYBACK OF SECTION 45D CREDIT  
 5       BEFORE ENACTMENT.—No portion of the unused  
 6       business credit for any taxable year which is attrib-  
 7       utable to the vaccine research credit determined  
 8       under section 45D may be carried back to a taxable  
 9       year ending before the date of the enactment of sec-  
 10      tion 45D.”.

11       (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of  
 12      such Code is amended by adding at the end the following  
 13      new subsection:

14       “(d) CREDIT FOR QUALIFIED VACCINE RESEARCH  
 15      EXPENSES.—

16       “(1) IN GENERAL.—No deduction shall be al-  
 17      lowed for that portion of the qualified vaccine re-  
 18      search expenses (as defined in section 45D(b)) oth-  
 19      erwise allowable as a deduction for the taxable year  
 20      which is equal to the amount of the credit deter-  
 21      mined for such taxable year under section 45D(a).

22       “(2) CERTAIN RULES TO APPLY.—Rules similar  
 23      to the rules of paragraphs (2), (3), and (4) of sub-  
 24      section (c) shall apply for purposes of this sub-  
 25      section.”.

1 (d) DEDUCTION FOR UNUSED PORTION OF CRED-  
 2 IT.—Section 196(c) of such Code (defining qualified busi-  
 3 ness credits) is amended by striking “and” at the end of  
 4 paragraph (7), by striking the period at the end of para-  
 5 graph (8) and inserting “, and”, and by adding at the  
 6 end the following new paragraph:

7 “(9) the vaccine research credit determined  
 8 under section 45D(a) (other than such credit deter-  
 9 mined under the rules of section 280C(d)(2)).”.

10 (e) CLERICAL AMENDMENT.—The table of sections  
 11 for subpart D of part IV of subchapter A of chapter 1  
 12 of such Code is amended by adding at the end the fol-  
 13 lowing new item:

“Sec. 45D. Credit for medical research related to developing vac-  
 cines against widespread diseases.”.

14 (f) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply to taxable years ending after the  
 16 date of the enactment of this Act.

17 (g) DISTRIBUTION OF VACCINES DEVELOPED USING  
 18 CREDIT.—It is the sense of the Congress that if credit  
 19 is allowed under section 45D of the Internal Revenue Code  
 20 of 1986 to any corporation or shareholder of a corporation  
 21 by reason of vaccine research expenses incurred by the  
 22 corporation in the development of a vaccine, such corpora-  
 23 tion should certify to the Secretary of the Treasury that,  
 24 within 1 year after that vaccine is first licensed, such cor-

1 poration will establish a good faith plan utilizing tech-  
2 nology transfer, differential pricing, in-country produc-  
3 tion, or other mechanisms to maximize international ac-  
4 cess to high quality and affordable vaccines. The preceding  
5 sentence shall not be construed to waive rights to set  
6 prices, patent ownership, or confidentiality of privileged  
7 information.

8       (h) STUDY.—The Institute of Medicine shall conduct  
9 a study of the effectiveness of the credit under section 45D  
10 of the Internal Revenue Code of 1986 in stimulating vac-  
11 cine research. Not later than the date which is 5 years  
12 after the date of the enactment of this Act, the Institute  
13 of Medicine shall submit to the Congress the results of  
14 such study together with any recommendations it may  
15 have to improve the effectiveness of such credit in stimu-  
16 lating vaccine research.

17 **SEC. 3. SENSE OF CONGRESS.**

18       (a) ACCELERATION OF INTRODUCTION OF PRIORITY  
19 VACCINES.—It is the sense of Congress that the President  
20 and Federal agencies (including the Department of State,  
21 the Department of Health and Human Services, and the  
22 Department of the Treasury) should work together in vig-  
23 orous support of the creation and funding of a multi-lat-  
24 eral, international effort, such as a vaccine purchase fund,  
25 to accelerate the introduction of vaccines to which the

1 credit under section 45D of the Internal Revenue Code  
2 of 1986 applies and of other priority vaccines into the  
3 poorest countries in the world.

4 (b) FLEXIBLE PRICING.—It is the sense of Congress  
5 that flexible or differential pricing for vaccines, providing  
6 lowered prices for the poorest countries, is one of several  
7 valid strategies to accelerate the introduction of vaccines  
8 in developing countries.

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