

106TH CONGRESS  
1ST SESSION

# S. 1425

To amend the Internal Revenue Code of 1986 to provide a 10 percent biotechnology investment tax credit and to reauthorize the Research and Development tax credit for ten years.

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## IN THE SENATE OF THE UNITED STATES

JULY 22, 1999

Mr. SPECTER introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a 10 percent biotechnology investment tax credit and to reauthorize the Research and Development tax credit for ten years.

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 “Biotechnology Tax  
5 Credit Act of 1999”.

1 **SEC. 2. TEN YEAR EXTENSION OF THE RESEARCH AND DE-**  
 2 **VELOPMENT TAX CREDIT.**

3 (a) IN GENERAL.—Section 41 of the Internal Rev-  
 4 enue Code of 1986 (relating to credit for increasing re-  
 5 search activities) is amended by striking subsection (h)  
 6 and in its place, insert the following new section:

7 “(h) IN GENERAL.—This section shall not apply to  
 8 any amount paid or incurred after June 30, 2009.”

9 (b) CONFORMING AMENDMENT.—Paragraph (1) of  
 10 section 45C(b) of such Code is amended by striking sub-  
 11 paragraph (D).

12 **SEC. 3. BIOTECHNOLOGY INVESTMENT TAX CREDIT.**

13 (a) ALLOWANCE OF CREDIT.—Section 46(a) of the  
 14 Internal Revenue Code of 1986 (relating to amount of in-  
 15 vestment credit) is amended by striking “and” at the end  
 16 of paragraph (2), by striking the period at the end of para-  
 17 graph (3) and inserting “, and”, and by adding at the  
 18 end thereof the following new paragraph:

19 “(4) the biotechnology investment credit.”

20 (b) AMOUNT OF CREDIT.—Section 48 of such Code  
 21 is amended by adding at the end thereof the following new  
 22 subsection:

23 “(c) BIOTECHNOLOGY INVESTMENT CREDIT.—

24 “(1) IN GENERAL.—For purposes of section 46,  
 25 the biotechnology investment credit for any taxable

year is an amount equal to 10 percent of the qualified investment for such taxable year.

“(2) QUALIFIED INVESTMENT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the qualified investment for any taxable year is the aggregate of—

“(i) the applicable percentage of the basis of each new biotechnology property placed in service by the taxpayer during such taxable year; plus

“(ii) the applicable percentage of the cost of each used biotechnology property placed in service by the taxpayer during such taxable year.

“(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage for any property shall be determined under paragraphs (2) and (7) of section 46(c) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

“(C) CERTAIN RULES MADE APPLICABLE.—The provisions of subsections (b) and (c) of section 48 (as in effect on the day before the date of the enactment of the Revenue Reconcili-

1           ation Act of 1990) shall apply for purposes of  
2           this paragraph.

3           “(3) DEFINITIONS.—For purposes of this sec-  
4       tion:

5                   “(A) ‘Biotechnology Property’ means cap-  
6           ital equipment, instruments and supplies used  
7           in a laboratory setting by a biotechnology com-  
8           pany. These items would include but would not  
9           be limited to microscopes, various laboratory  
10          machines, glassware, chemical reagents, and  
11          technical books and manuals purchased by a  
12          manufacturer for research purposes. Also in-  
13          cluded are computers and software used pri-  
14          marily to develop data for research and develop-  
15          ment.

16                   “(B) ‘Biotechnology Company’ is an orga-  
17          nization that deals with the application of tech-  
18          nologies, such as recombinant DNA techniques,  
19          biochemistry, molecular and cellular biology, ge-  
20          netics and genetic engineering, biological cell  
21          fusion techniques, and new bioprocesses, using  
22          living organisms, or parts of organisms, to  
23          produce or modify products, to develop micro-  
24          organisms for specific uses, to identify targets  
25          for small molecule pharmaceutical development,

to transform biological systems into useful processes and products or to develop microorganisms for specific uses. Potential endpoints for these products, developments and uses shall be for societal benefit through improving human healthcare.

“(4) COORDINATION WITH OTHER CREDITS.—

This subsection shall not apply to any property to which the energy credit or rehabilitation credit would apply unless the taxpayer elects to waive the application of such credits to such property.

“(5) CERTAIN PROGRESS EXPENDITURE RULES

MADE APPLICABLE.—Rules similar to rules of subsection (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this subsection.”

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (C) of section 49(a)(1) of such Code is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end thereof the following new clause:

1 “(iv) the basis of any new bio-  
 2 technology property and the cost of any  
 3 used biotechnology property.”

4 (2) Subparagraph (E) of section 50(a)(2) of  
 5 such Code is amended by striking “section  
 6 48(a)(5)(A)” and inserting “section 48(a)(5) or  
 7 48(c)(5)”.

8 (3) Paragraph (5) of section 50(a) of such Code  
 9 is amended by adding at the end thereof the fol-  
 10 lowing new subparagraph:

11 “(D) SPECIAL RULES FOR CERTAIN PROP-  
 12 ERTY.—In the case of any biotechnology prop-  
 13 erty which is 3-year property (within the mean-  
 14 ing of section 168(e))—

15 “(i) the percentage set forth in clause  
 16 (ii) of the table contained in paragraph  
 17 (1)(B) shall be 66 percent;

18 “(ii) the percentage set forth in clause  
 19 (iii) of such table shall be 33 percent; and

20 “(iii) clauses (iv) and (v) of such table  
 21 shall not apply.”

22 (4)(A) The section heading for section 48 of  
 23 such Code is amended to read as follows:

1 **“SEC. 48. OTHER CREDITS.”**

2 (B) The table of sections for subpart E of part  
3 IV of subchapter A of chapter 1 of such Code is  
4 amended by striking the item relating to section 48  
5 and inserting the following:

“Sec. 48. Other Credits.”

6 **SEC. 4. EFFECTIVE DATE.**

7 The amendments made by this bill shall apply to  
8 amounts paid or incurred after June 30, 1999.

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