

107TH CONGRESS
2D SESSION

H. R. 5658

To amend the Internal Revenue Code of 1986 to provide an alternative simplified credit for qualified research expenses.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2002

Mr. CAMP (for himself and Mr. CARDIN) 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 provide an alternative simplified credit for qualified research expenses.

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. FINDINGS.**

4 The Congress finds as follows:

5 (1) Research and development performed in the
6 United States results in quality jobs, better and
7 safer products, increased ownership of technology-
8 based intellectual property, and higher productivity
9 in the United States.

1 (2) The extent to which companies perform and
 2 increase research and development activities in the
 3 United States is in part dependent on Federal tax
 4 policy.

5 (3) The Congress should make permanent a re-
 6 search and development credit that provides a mean-
 7 ingful incentive to all types of taxpayers.

8 **SEC. 2. ALTERNATIVE SIMPLIFIED CREDIT FOR QUALIFIED**
 9 **RESEARCH EXPENSES.**

10 (a) IN GENERAL.—Subsection (c) of section 41 of the
 11 Internal Revenue Code of 1986 (relating to base amount)
 12 is amended by redesignating paragraphs (5) and (6) as
 13 paragraphs (6) and (7), respectively, and by inserting
 14 after paragraph (4) the following new paragraph:

15 “(5) ELECTION OF ALTERNATIVE SIMPLIFIED
 16 CREDIT.—

17 “(A) IN GENERAL.—At the election of the
 18 taxpayer, the credit determined under sub-
 19 section (a)(1) shall be equal to 12 percent of so
 20 much of the qualified research expenses for the
 21 taxable year as exceeds 50 percent of the aver-
 22 age qualified research expenses for the 3 tax-
 23 able years preceding the taxable year for which
 24 the credit is being determined.

1 “(B) SPECIAL RULE IN CASE OF NO
2 QUALIFIED RESEARCH EXPENSES IN ANY OF 3
3 PRECEDING TAXABLE YEARS.—

4 “(i) TAXPAYERS TO WHICH SUBPARA-
5 GRAPH APPLIES.—The credit under this
6 paragraph shall be determined under this
7 subparagraph if the taxpayer has no quali-
8 fied research expenses in any one of the 3
9 taxable years preceding the taxable year
10 for which the credit is being determined.

11 “(ii) CREDIT RATE.—The credit de-
12 termined under this subparagraph shall be
13 equal to 6 percent of the qualified research
14 expenses for the taxable year.

15 “(C) ELECTION.—An election under this
16 paragraph shall apply to the taxable year for
17 which made and all succeeding taxable years
18 unless revoked with the consent of the Sec-
19 retary. An election under this paragraph may
20 not be made for any taxable year to which an
21 election under paragraph (4) applies.”.

22 (b) COORDINATION WITH ELECTION OF ALTER-
23 NATIVE INCREMENTAL CREDIT.—

24 (1) IN GENERAL.—Section 41(c)(4)(B) of the
25 Internal Revenue Code of 1986 (relating to election)

1 is amended by adding at the end the following: “An
2 election under this paragraph may not be made for
3 any taxable year to which an election under para-
4 graph (5) applies.”.

5 (2) TRANSITION RULE.—In the case of an elec-
6 tion under section 41(c)(4) of the Internal Revenue
7 Code of 1986 which applies to the taxable year
8 which includes the date of the enactment of this Act,
9 such election shall be treated as revoked with the
10 consent of the Secretary of the Treasury if the tax-
11 payer makes an election under section 41(c)(5) of
12 such Code (as added by subsection (a)) for such
13 year.

14 (c) 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.

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