

111TH CONGRESS
1ST SESSION

H. R. 4244

To amend the Internal Revenue Code of 1986 to provide a simplified research tax credit for small businesses.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 8, 2009

Mr. SCHOCK (for himself and Mr. NYE) 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 a simplified research tax credit for small businesses.

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 “Small Business Re-
5 search and Experimentation Simplification Act of 2009”.

6 **SEC. 2. RESEARCH TAX CREDIT.**

7 (a) IN GENERAL.—Subpart B of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 is amended by adding at the end the following new
10 section:

1 **“SEC. 30E. SIMPLIFIED SMALL BUSINESS RESEARCH CRED-**
2 **IT.**

3 “(a) IN GENERAL.—In the case of an eligible small
4 business, there shall be allowed as a credit against the tax
5 imposed by this chapter for the taxable year an amount
6 equal to 20 percent of the qualified research expenses of
7 the taxpayer for the taxable year.

8 “(b) QUALIFIED RESEARCH EXPENDITURES.—For
9 purposes of this section, the term ‘qualified research ex-
10 penses’ has the meaning given such term by section 41(b),
11 except that in lieu of applying paragraph (2)(C) thereof
12 (defining supplies) the term ‘supplies’ means any tangible
13 property other than land.

14 “(c) ELIGIBLE SMALL BUSINESS.—For purposes of
15 this section—

16 “(1) IN GENERAL.—The term ‘eligible small
17 business’ means with respect to any taxable year be-
18 ginning in a calendar year, any employer if such em-
19 ployer employed an average of 500 or fewer employ-
20 ees on business days during the preceding calendar
21 year. For purposes of the preceding sentence, a pre-
22 ceding calendar year may be taken into account only
23 if the employer was in existence throughout such
24 year.

25 “(2) EMPLOYERS NOT IN EXISTENCE IN PRE-
26 CEDING YEAR.—In the case of an employer which

1 was not in existence throughout the preceding cal-
2 endar year, the determination under paragraph (1)
3 shall be based on the average number of employees
4 that it is reasonably expected such employer will em-
5 ploy on business days in the current calendar year.

6 “(d) LIMITATION BASED ON AMOUNT OF TAX.—In
7 the case of a taxable year to which section 26(a)(2) does
8 not apply, the credit allowed under subsection (a) for any
9 taxable year shall not exceed the excess of—

10 “(1) the sum of the regular tax liability (as de-
11 fined in section 26(b)) plus the tax imposed by sec-
12 tion 55, over

13 “(2) the sum of the credits allowable under this
14 subpart (other than this section and sections 23,
15 25D, 30, 30B, and 30D) and section 27 for the tax-
16 able year.

17 “(e) PORTION OF CREDIT REFUNDABLE.—

18 “(1) IN GENERAL.—The aggregate credits al-
19 lowed to a taxpayer under subpart C shall be in-
20 creased by an amount equal to 25 percent of the ex-
21 cess (if any) of—

22 “(A) the sum of the regular tax liability
23 (as defined in section 26(b)) plus the tax im-
24 posed by section 55, over

1 “(B) the amount of the credit allowable
 2 under subsection (a) (determined without re-
 3 gard to this subsection and section 26(a) or
 4 subsection (d), as the case may be).

5 The amount of the credit allowed under this sub-
 6 section shall not be treated as a credit allowed under
 7 this subpart and shall reduce the amount of credit
 8 otherwise allowable under subsection (a) without re-
 9 gard to section 26(a)(2) or subsection (d), as the
 10 case may be.

11 “(2) APPLICATION OF SUBSECTION.—This sub-
 12 section shall apply only with respect to the first 5
 13 taxable years of an eligible small business (including
 14 the taxable years of any predecessor in interest).

15 “(f) SPECIAL RULES.—For purposes of this sec-
 16 tion—

17 “(1) CONTROLLED GROUPS.—All persons treat-
 18 ed as a single employer under subsection (a) or (b)
 19 of section 52 or subsection (m) or (o) of section 414
 20 shall be treated as a single person.

21 “(2) DENIAL OF DOUBLE BENEFIT.—

22 “(A) COORDINATION WITH OTHER PROVI-
 23 SIONS.—Any amount taken into account under
 24 subsection (a) shall not be taken into account

1 in determining any deduction or other credit al-
2 lowed under this chapter.

3 “(B) REDUCTION IN BASIS.—For purposes
4 of this subtitle, the basis of any property for
5 which a credit is allowable under subsection (a)
6 shall be reduced by the amount of such credit
7 so allowed and attributable to such property.

8 “(3) SPECIAL RULE FOR PASS-THRU OF CRED-
9 IT.—In the case of an individual who—

10 “(A) owns an interest in an unincorporated
11 trade or business,

12 “(B) is a partner in a partnership,

13 “(C) is a beneficiary of an estate or trust,

14 or

15 “(D) is a shareholder in an S corporation,
16 the amount determined under subsection (a) for any
17 taxable year shall not exceed an amount (separately
18 computed with respect to such person’s interest in
19 such trade or business or entity) equal to the
20 amount of tax attributable to that portion of a per-
21 son’s taxable income which is allocable or
22 apportionable to the person’s interest in such trade
23 or business or entity.

24 “(g) TERMINATION.—Subsection (a) shall not apply
25 to taxable years beginning after December 31, 2015.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 24(b)(3)(B) of such Code is amend-
3 ed by striking “and 30D” and inserting “30D, and
4 30E”.

5 (2) Section 25(e)(1)(C)(ii) of such Code is
6 amended by inserting “30E,” after “30D,”.

7 (3) Section 25A(i)(5)(B) of such Code is
8 amended by striking “and 30D” and inserting
9 “30D, and 30E”.

10 (4) Section 25B(g)(2) of such Code is amended
11 by striking “and 30D” and inserting “30D, and
12 30E”.

13 (5) Section 26(a)(1) of such Code is amended
14 by striking “and 30D” and inserting “30D, and
15 30E”.

16 (6) Section 904(i) of such Code is amended by
17 striking “and 30D” and inserting “30D, and 30E”.

18 (7) Section 1400C(d)(2) of such Code is
19 amended by inserting “, and 30E” after “30D”.

20 (c) CLERICAL AMENDMENT.—The table of sections
21 for subpart B of part IV of subchapter A of chapter 1
22 of such Code is amended by adding at the end the fol-
23 lowing new item:

“Sec. 30E. Simplified small business research credit.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2009.

4 **SEC. 3. GAO STUDY ON SIMPLIFIED SMALL BUSINESS RE-**
5 **SEARCH CREDIT.**

6 Not later than June 30, 2015, the Comptroller Gen-
7 eral, in consultation with the Secretary of the Treasury,
8 shall submit to the Committee on Small Business of the
9 House of Representatives and the Committee on Small
10 Business and Entrepreneurship of the Senate a report de-
11 tailing the Comptroller General’s analysis of the useful-
12 ness and effectiveness of, and any recommended changes
13 with respect to, the simplified small business research
14 credit determined under section 30E of the Internal Rev-
15 enue Code of 1986.

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