

111TH CONGRESS
2D SESSION

H. R. 6165

To amend the Internal Revenue Code of 1986 to provide incentives for
life sciences research.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 22, 2010

Ms. SCHWARTZ (for herself, Mr. PASCARELL, Mr. BRADY of Texas, and Mr. NUNES) 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
incentives for life sciences research.

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 “Life Sciences Jobs and
5 Investment Act of 2010”.

6 **SEC. 2. INCREASED CREDIT FOR INITIAL LIFE SCIENCES**
7 **RESEARCH.**

8 (a) IN GENERAL.—Subsection (h) of section 41 of the
9 Internal Revenue Code of 1986 is amended by redesign-

1 nating subsection (h) as subsection (i) and inserting after
 2 subsection (g) the following new subsection:

3 “(h) SPECIAL RULES FOR INCREASED INITIAL LIFE
 4 SCIENCES RESEARCH.—

5 “(1) IN GENERAL.—In the case of qualified ini-
 6 tial life sciences research expenses for any taxable
 7 year with respect to which the taxpayer elects the
 8 application of this subsection—

9 “(A) INCREASED CREDIT.—Subsection (a)
 10 shall be applied by substituting ‘40 percent’ for
 11 ‘20 percent’.

12 “(B) AMOUNTS PAID FOR QUALIFIED LIFE
 13 SCIENCES RESEARCH TO CERTAIN RESEARCH
 14 INCUBATORS, ELIGIBLE SMALL BUSINESSES,
 15 UNIVERSITIES, AND FEDERAL LABORA-
 16 TORIES.—Subsection (b)(3)(A) shall be applied
 17 by substituting ‘100 percent’ for ‘65 percent’,
 18 in the case of amounts paid or incurred to a
 19 qualified research incubator, or to persons de-
 20 scribed in subclause (I), (II), or (III) of sub-
 21 section (b)(3)(D)(i), for qualified life sciences
 22 research.

23 “(C) ALTERNATIVE SIMPLIFIED CREDIT IN
 24 CASE OF INITIAL QUALIFIED LIFE SCIENCE RE-
 25 SEARCH.—

1 “(i) Subsection (c)(5)(A) shall be ap-
2 plied by substituting ‘28 percent’ for ‘14
3 percent’, and

4 “(ii) subsection (c)(5)(B) shall be ap-
5 plied by substituting ‘12 percent’ for ‘6
6 percent’.

7 “(2) DEFINITIONS.—For purposes of this sub-
8 section—

9 “(A) QUALIFIED INITIAL LIFE SCIENCES
10 RESEARCH EXPENSES.—The term ‘qualified ini-
11 tial life sciences research expenses’ means so
12 much of the amounts taken into account under
13 subsection (a) as are attributable to qualified
14 life sciences research and do not exceed
15 \$150,000,000.

16 “(B) QUALIFIED LIFE SCIENCES RE-
17 SEARCH.—The term ‘qualified life sciences re-
18 search’ means any qualified research with re-
19 spect to the branch of knowledge or study of bi-
20 ology, biochemistry, biophysics, bioengineering,
21 microbiology, genetics, or physiology (in each
22 case as such knowledge or study relates to
23 human beings), except that the term does not
24 include sociology or psychology.

1 “(C) QUALIFIED RESEARCH INCUBATOR.—

2 The term ‘qualified research incubator’ means
3 any entity created by and operated under State
4 law exclusively to conduct qualified life sciences
5 research on behalf of the taxpayer and 1 or
6 more unrelated taxpayers.

7 “(3) COORDINATION WITH 965A.—This sub-
8 section shall not apply with respect to any taxpayer
9 for any taxable year for which an election is in effect
10 under section 965A (relating to limited deduction for
11 life sciences jobs and investment in United States).

12 “(4) ELECTION.—Any election under this sub-
13 section shall be made in such manner as may be pre-
14 scribed by the Secretary, and shall be made with re-
15 spect to a taxable year not later than the due date
16 (including extensions of time) for filing the tax-
17 payer’s return for such taxable year.

18 “(5) TERMINATION.—This subsection shall not
19 apply to any taxable year beginning after December
20 31, 2015.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 the date of the enactment of this Act.

1 **SEC. 3. INCENTIVES TO INVEST IN LIFE SCIENCES JOBS,**
2 **RESEARCH, AND FACILITIES.**

3 (a) IN GENERAL.—Subpart F of part III of sub-
4 chapter N of chapter 1 of the Internal Revenue Code of
5 1986 (relating to controlled foreign corporations) is
6 amended by adding at the end the following new section:

7 **“SEC. 965A. LIMITED DEDUCTION FOR LIFE SCIENCES JOBS**
8 **AND INVESTMENT IN UNITED STATES.**

9 “(a) DEDUCTION.—

10 “(1) IN GENERAL.—In the case of a corpora-
11 tion which is a United States shareholder and for
12 which the election under this section is in effect for
13 the taxable year, there shall be allowed as a deduc-
14 tion an amount equal to 100 percent of the cash
15 dividends which are received during such taxable
16 year by such shareholder from controlled foreign cor-
17 porations.

18 “(2) DIVIDENDS PAID INDIRECTLY FROM CON-
19 TROLLED FOREIGN CORPORATIONS.—If, within the
20 taxable year for which the election under this section
21 is in effect, a United States shareholder receives a
22 cash distribution from a controlled foreign corpora-
23 tion which is excluded from gross income under sec-
24 tion 959(a), such distribution shall be treated for
25 purposes of this section as a cash dividend to the ex-
26 tent of any amount included in income by such

1 United States shareholder under section
2 951(a)(1)(A), including as a result of any cash divi-
3 dend during such taxable year to—

4 “(A) such controlled foreign corporation
5 from another controlled foreign corporation that
6 is in a chain of ownership described in section
7 958(a), or

8 “(B) any other controlled foreign corpora-
9 tion in such chain of ownership from another
10 controlled foreign corporation in such chain of
11 ownership, but only to the extent of cash dis-
12 tributions described in section 959(b) which are
13 made during such taxable year to the controlled
14 foreign corporation from which such United
15 States shareholder received such distribution.

16 “(b) LIMITATIONS.—

17 “(1) IN GENERAL.—The amount of dividends
18 taken into account under subsection (a) shall not ex-
19 ceed the lesser of—

20 “(A) \$150,000,000, or

21 “(B) the amount shown on the applicable
22 financial statement as earnings permanently re-
23 invested outside the United States.

24 The amounts described in subparagraph (B) shall be
25 treated as being zero if there is no such statement

1 or such statement fails to show a specific amount of
2 such earnings.

3 “(2) REQUIREMENT TO INVEST IN LIFE
4 SCIENCES.—Subsection (a) shall not apply to any
5 dividend received by a United States shareholder un-
6 less the amount of the dividend is invested solely in
7 the United States and solely for the purpose of—

8 “(A) the new hiring of additional sci-
9 entists, researchers, and comparable personnel
10 engaged in qualified life sciences research,

11 “(B) payments to universities, qualified re-
12 search incubators, and other qualified organiza-
13 tions which are used by such organizations to
14 conduct qualified life sciences research, or

15 “(C) the building or leasing of new facili-
16 ties to be used in the conduct of qualified life
17 sciences research.

18 “(3) PROHIBITED USES.—Subsection (a) shall
19 not apply to any dividend any amount of which is
20 used by the taxpayer to pay remuneration for serv-
21 ices of any covered employee (as defined in section
22 162(m)(3)), to pay dividends to the shareholders of
23 the taxpayer, or to pay interest or principal on any
24 debt security of the taxpayer.

1 “(4) NO RESERVE.—Subsection (a) shall not
2 apply to any dividend if the taxpayer’s compliance
3 with this section is uncertain and requires a provi-
4 sion or reserve on the taxpayer’s applicable financial
5 statements.

6 “(5) SEPARATE ACCOUNT.—Subsection (a)
7 shall not apply to any dividend unless the amount of
8 the dividend is held in a separate account, trust, or
9 other arrangement that segregates the amount from
10 other funds of the taxpayer until the amount is used
11 solely for the purposes described in paragraph (2).

12 “(c) SUBSTANTIATION OF COMPLIANCE.—

13 “(1) IN GENERAL.—The taxpayer must sub-
14 stantiate its compliance with subsection (b) with
15 written documents and such other credible evidence
16 as the Secretary may reasonably require, and shall
17 bear the burden of proof with respect to such sub-
18 stantiation.

19 “(2) CERTIFICATION.—The chief executive offi-
20 cer and the independent director serving as head of
21 the audit committee of the taxpayer, or comparable
22 corporate officials, shall attest in writing to the tax-
23 payer’s compliance with each of the requirements of
24 subsection (b).

1 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this section—

3 “(1) QUALIFIED LIFE SCIENCES RESEARCH;
4 QUALIFIED RESEARCH INCUBATOR.—The terms
5 ‘qualified life sciences research’ and ‘qualified re-
6 search incubator’ shall have the respective meanings
7 given such terms by section 41(d).

8 “(2) The term ‘qualified organization’ means
9 any organization described in subparagraph (A),
10 (B), or (C) of section 41(e)(6).

11 “(3) The term ‘applicable financial statement’
12 and ‘dividend’ shall have the respective meanings
13 given such terms by section 965(c).

14 “(4) Rules similar to the rules of paragraph (3)
15 of section 965(b) shall apply for purposes of this
16 section, except that such paragraph shall be applied
17 by substituting ‘December 31, 2009’ for ‘October 3,
18 2004’.

19 “(5) Rules similar to the rules of paragraphs
20 (4) and (5) of section 965(c) shall apply for pur-
21 poses of this section, except that such paragraph (5)
22 shall be applied—

23 “(A) by substituting ‘\$150,000,000’ for
24 ‘\$500,000,000’, and

1 “(B) without regard to the reference to
2 subparagraph (C) of section 965(b)(1).

3 “(e) DENIAL OF FOREIGN TAX CREDIT.—

4 “(1) No credit shall be allowed under section
5 901 for any taxes paid or accrued (or treated as
6 paid or accrued) with respect to any dividend with
7 respect to which an election is in effect under this
8 section and which is included in income under sec-
9 tion 951(a)(1)(A).

10 “(2) No deduction shall be allowed under this
11 chapter for any tax for which credit is not allowable
12 by reason of paragraph (1).

13 “(f) ELECTION.—Any election under this section
14 shall be made in such manner as may be prescribed by
15 the Secretary, and shall be made with respect to a taxable
16 year not later than the due date (including extensions of
17 time) for filing the taxpayer’s return for such taxable year.

18 “(g) TERMINATION.—This section shall not apply to
19 any taxable year beginning after December 31, 2015.”.

20 (b) CLERICAL AMENDMENT.—The table of sections
21 for subpart F of part III of subchapter N of chapter 1
22 of such Code is amended by adding at the end the fol-
23 lowing new section:

“Sec. 965A. Limited deduction for life sciences jobs and investment in United States.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of enactment.

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