

111TH CONGRESS  
1ST SESSION

# S. 1203

To amend the Internal Revenue Code of 1986 to extend the research credit through 2010 and to increase and make permanent the alternative simplified research credit, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 8, 2009

Mr. BAUCUS (for himself, Mr. HATCH, Mr. KERRY, Mrs. LINCOLN, Mr. WYDEN, Mr. SCHUMER, Ms. CANTWELL, Mr. MENENDEZ, Mr. ENSIGN, and Mr. CORNYN) 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 extend the research credit through 2010 and to increase and make permanent the alternative simplified research credit, and for other purposes.

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; AMENDMENT OF 1986 CODE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Grow Research Opportunities With Taxcredits’ Help  
6       Act” or “GROWTH Act”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

**SEC. 2. EXTENSION OF RESEARCH CREDIT; INCREASE IN  
ALTERNATIVE SIMPLIFIED RESEARCH CREDIT.**

(a) EXTENSION OF CREDIT.—

(1) IN GENERAL.—Subparagraph (B) of section 41(h)(1) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(2) CONFORMING AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after December 31, 2009.

(b) ALTERNATIVE SIMPLIFIED RESEARCH CREDIT INCREASED.—

(1) INCREASED CREDIT.—Paragraph (5) of section 41(c) (relating to election of alternative simplified credit) is amended—

1 (A) by striking “14 percent (12 percent in  
 2 the case of taxable years ending before January  
 3 1, 2009)” in subparagraph (A) and inserting  
 4 “20 percent”, and

5 (B) by striking “6 percent” in subpara-  
 6 graph (B)(ii) and inserting “10 percent”.

7 (2) EFFECTIVE DATE.—The amendment made  
 8 by this subsection shall apply to taxable years begin-  
 9 ning after the date of the enactment of this Act.

10 **SEC. 3. MODIFICATION OF RESEARCH CREDIT AFTER 2010.**

11 (a) SIMPLIFIED CREDIT FOR QUALIFIED RESEARCH  
 12 EXPENSES.—Subsection (a) of section 41 is amended to  
 13 read as follows:

14 “(a) GENERAL RULE.—

15 “(1) CREDIT DETERMINED.—For purposes of  
 16 section 38, the research credit determined under this  
 17 section for the taxable year shall be an amount equal  
 18 to 20 percent of so much of the qualified research  
 19 expenses for the taxable year as exceeds 50 percent  
 20 of the average qualified research expenses for the 3  
 21 taxable years preceding the taxable year for which  
 22 the credit is being determined.

23 “(2) SPECIAL RULE IN CASE OF NO QUALIFIED  
 24 RESEARCH EXPENSES IN ANY OF 3 PRECEDING TAX-  
 25 ABLE YEARS.—

1           “(A) TAXPAYERS TO WHICH PARAGRAPH  
2           APPLIES.—The credit under this section shall  
3           be determined under this paragraph if the tax-  
4           payer has no qualified research expenses in any  
5           one of the 3 taxable years preceding the taxable  
6           year for which the credit is being determined.

7           “(B) CREDIT RATE.—The credit deter-  
8           mined under this paragraph shall be equal to  
9           10 percent of the qualified research expenses  
10          for the taxable year.”.

11       (b) CONFORMING AMENDMENTS.—

12           (1) TERMINATION OF BASE AMOUNT CALCULA-  
13       TION.—Section 41 is amended by striking subsection  
14       (c) and redesignating subsection (d) as subsection  
15       (e).

16           (2) TERMINATION OF BASIC RESEARCH PAY-  
17       MENT CALCULATION.—Section 41 is amended by  
18       striking subsection (e) and redesignating subsections  
19       (f) and (g) as subsections (d) and (e), respectively.

20           (3) SPECIAL RULES.—

21           (A) Paragraph (1)(A)(ii) of subsection (d)  
22       of section 41, as so redesignated, is amended by  
23       striking “shares of the qualified research ex-  
24       penses, basic research payments, and amounts  
25       paid or incurred to energy research consor-

1           tiums,” and inserting “share of the qualified re-  
2           search expenses”.

3           (B) Paragraph (1)(B)(ii) of section 41(d),  
4           as so redesignated, is amended by striking  
5           “shares of the qualified research expenses, basic  
6           research payments, and amounts paid or in-  
7           curred to energy research consortiums,” and in-  
8           serting “share of the qualified research ex-  
9           penses”.

10          (C) Paragraph (3) of section 41(d), as so  
11          redesignated, is amended—

12               (i) by striking “, and the gross re-  
13               ceipts of the taxpayer” and all that follows  
14               in subparagraph (A) and inserting a pe-  
15               riod,

16               (ii) by striking “, and the gross re-  
17               ceipts of the taxpayer” and all that follows  
18               in subparagraph (B) and inserting a pe-  
19               riod, and

20               (iii) by striking subparagraph (C).

21          (D) Paragraph (4) of section 41(d), as so  
22          redesignated, is amended by striking “and gross  
23          receipts”.

1           (E) Subsection (d) of section 41, as so re-  
2 designated, is amended by striking paragraph  
3 (6).

4           (4) PERMANENT EXTENSION.—

5           (A) Section 41 is amended by striking sub-  
6 section (h).

7           (B) Paragraph (1) of section 45C(b) is  
8 amended by striking subparagraph (D).

9           (5) CROSS-REFERENCES.—

10           (A) Paragraphs (2)(A) and (4) of section  
11 41(b) are each amended by striking “subsection  
12 (f)(1)” and inserting “subsection (d)(1)”.

13           (B) Paragraph (2) of section 45C(c) is  
14 amended by striking “base period research ex-  
15 penses” and inserting “average qualified re-  
16 search expenses”.

17           (C) Paragraph (3) of section 45C(d) is  
18 amended by striking “section 41(f)” and insert-  
19 ing “section 41(d)”.

20           (D) Paragraph (2) of section 45G(e) is  
21 amended by striking “section 41(f)” and insert-  
22 ing “section 41(d)”.

23           (E) Subsection (g) of section 45O is  
24 amended by striking “section 41(f)” and insert-  
25 ing “section 41(d)”.

1           (F) Subparagraph (A) of section 54(l)(3)  
 2           is amended by striking “section 41(g)” and in-  
 3           serting “section 41(e)”.

4           (G) Clause (i) of section 170(e)(4)(B) is  
 5           amended to read as follows:

6                   “(i) the contribution is to a qualified  
 7                   organization,”.

8           (H) Paragraph (4) of section 170(e) is  
 9           amended by adding at the end the following  
 10          new subparagraph:

11                   “(E) QUALIFIED ORGANIZATION.—For  
 12                   purposes of this paragraph, the term ‘qualified  
 13                   organization’ means—

14                           “(i) any educational organization  
 15                           which—

16                                   “(I) is an institution of higher  
 17                                   education (within the meaning of sec-  
 18                                   tion 3304(f)), and

19                                   “(II) is described in subsection  
 20                                   (b)(1)(A)(ii), or

21                                   “(ii) any organization not described in  
 22                                   clause (i) which—

23   “(I) is described in section  
 24   501(c)(3) and is exempt from tax  
 25   under section 501(a),

1 “(II) is organized and operated  
2 primarily to conduct scientific re-  
3 search, and

4 “(III) is not a private founda-  
5 tion.”.

6 (I) Subsection (f) of section 197 is amend-  
7 ed by striking “section 41(f)(1)” each place it  
8 appears in paragraphs (1)(C) and (9)(C)(i) and  
9 inserting “section 41(d)(1)”.

10 (J) Section 280C is amended—

11 (i) by striking “41(f)” each place it  
12 appears in subsection (b)(3) and inserting  
13 “41(d)”,

14 (ii) by striking “or basic research ex-  
15 penses (as defined in section 41(e)(2))” in  
16 subsection (c)(1),

17 (iii) by striking “section 41(a)(1)” in  
18 subsection (c)(2)(A) and inserting “section  
19 41(a)”, and

20 (iv) by striking “or basic research ex-  
21 penses” in subsection (c)(2)(B).

22 (K) Subclause (IV)(c) of section  
23 936(h)(5)(C)(i) is amended by striking “section  
24 41(f)” and inserting “section 41(d)”.



1           (L) Subparagraph (D) of section 936(j)(5)  
 2           is amended by striking “section 41(f)(3)” and  
 3           inserting “section 41(d)(3)”.

4           (M) Clause (i) of section 965(c)(2)(C) is  
 5           amended by striking “section 41(f)(3)” and in-  
 6           serting “section 41(d)(3)”.

7           (N) Clause (i) of section 1400N(l)(7)(B) is  
 8           amended by striking “section 41(g)” and insert-  
 9           ing “section 41(e)”.

10       (c) TECHNICAL CORRECTIONS.—Section 409 is  
 11 amended—

12           (1) by inserting “, as in effect before the enact-  
 13           ment of the Tax Reform Act of 1984)” after “sec-  
 14           tion 41(c)(1)(B)” in subsection (b)(1)(A),

15           (2) by inserting “, as in effect before the enact-  
 16           ment of the Tax Reform Act of 1984” after “relat-  
 17           ing to the employee stock ownership credit” in sub-  
 18           section (b)(4),

19           (3) by inserting “(as in effect before the enact-  
 20           ment of the Tax Reform Act of 1984)” after “sec-  
 21           tion 41(c)(1)(B)” in subsection (i)(1)(A),

22           (4) by inserting “(as in effect before the enact-  
 23           ment of the Tax Reform Act of 1984)” after “sec-  
 24           tion 41(c)(1)(B)” in subsection (m),

1           (5) by inserting “(as so in effect)” after “sec-  
2       tion 48(n)(1)” in subsection (m),

3           (6) by inserting “(as in effect before the enact-  
4       ment of the Tax Reform Act of 1984)” after “sec-  
5       tion 48(n)” in subsection (q)(1), and

6           (7) by inserting “(as in effect before the enact-  
7       ment of the Tax Reform Act of 1984)” after “sec-  
8       tion 41” in subsection (q)(3).

9       (d) EFFECTIVE DATE.—

10           (1) IN GENERAL.—Except as provided in para-  
11       graph (2), the amendments made by this section  
12       shall apply to taxable years beginning after Decem-  
13       ber 31, 2010.

14           (2) TECHNICAL CORRECTIONS.—The amend-  
15       ments made by subsection (c) shall take effect on  
16       the date of the enactment of this Act.

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