

114TH CONGRESS
1ST SESSION

H. R. 256

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for equity investments in research intensive small business concerns.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 2015

Mr. HONDA 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 allow a credit against income tax for equity investments in research intensive small business concerns.

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 “Creating Jobs From
5 Innovative Small Businesses Act of 2015”.

6 **SEC. 2. CREDIT FOR INVESTMENTS IN SMALL TECHNOLOGY**
7 **INNOVATION COMPANIES.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
 2 section:

3 **“SEC. 45S. RESEARCH INTENSIVE INVESTMENT TAX CRED-**
 4 **IT.**

5 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
 6 tion 38, the research intensive investment tax credit deter-
 7 mined under this section for the taxable year is an amount
 8 equal to 20 percent of the amount paid by the taxpayer
 9 during such year to acquire a qualified equity investment
 10 in a qualified research intensive small business concern.

11 “(b) MAXIMUM CREDIT.—

12 “(1) IN GENERAL.—The taxpayer’s credit de-
 13 termined under this section for the taxable year
 14 shall not exceed the excess (if any) of—

15 “(A) \$100,000, over

16 “(B) the taxpayer’s (and any prede-
 17 cessor’s) aggregate credit determined under this
 18 section for all prior taxable years.

19 “(2) RELATED PARTIES.—

20 “(A) IN GENERAL.—For purposes of para-
 21 graph (1), all related persons shall be treated as
 22 1 person, and the dollar amount in paragraph
 23 (1)(A) shall be allocated among such persons
 24 under regulations prescribed by the Secretary.

1 “(B) RELATED PERSONS.—A person shall
 2 be treated as related to another person if the
 3 relationship between such persons would result
 4 in the disallowance of losses under section 267
 5 or 707(b).

6 “(c) DEFINITIONS.—For purposes of this section—

7 “(1) QUALIFIED EQUITY INVESTMENT.—

8 “(A) IN GENERAL.—The term ‘qualified
 9 equity investment’ means any equity investment
 10 in a qualified research intensive small business
 11 concern if—

12 “(i) such investment is acquired by
 13 the taxpayer at its original issue (directly
 14 or through an underwriter) solely in ex-
 15 change for cash, and

16 “(ii) such investment is designated for
 17 purposes of this section by such concern.

18 “(B) EQUITY INVESTMENT.—The term
 19 ‘equity investment’ means—

20 “(i) any stock (other than non-
 21 qualified preferred stock as defined in sec-
 22 tion 351(g)(2)) in an entity which is a cor-
 23 poration, and

24 “(ii) any capital interest in an entity
 25 which is a partnership.

1 “(C) REDEMPTIONS.—A rule similar to the
2 rule of section 1202(c)(3) shall apply for pur-
3 poses of this subsection.

4 “(2) QUALIFIED RESEARCH INTENSIVE SMALL
5 BUSINESS CONCERN.—The term ‘qualified research
6 intensive small business concern’ means, with re-
7 spect to any taxable year, any small business con-
8 cern (as defined in section 3 of the Small Business
9 Act) if—

10 “(A) such concern employs an average of
11 fewer than 500 employees on business days dur-
12 ing such year, and

13 “(B) at least 50 percent of the gross ex-
14 penditures of such entity for such year are re-
15 search or experimental expenditures under sec-
16 tion 174.

17 “(d) NATIONAL LIMITATION ON AMOUNT OF INVEST-
18 MENTS DESIGNATED.—

19 “(1) IN GENERAL.—There is a research inten-
20 sive investment tax credit limitation for each cal-
21 endar year. Such limitation is—

22 “(A) \$500,000,000 for 2015,

23 “(B) \$750,000,000 for 2016 and 2017,

24 and

25 “(C) \$1,000,000,000 for 2018 and 2019.

1 “(2) ALLOCATION OF LIMITATION.—The limita-
2 tion under paragraph (1) shall be allocated by the
3 Secretary among qualified research intensive small
4 business concerns selected by the Secretary.

5 “(3) CARRYOVER OF UNUSED LIMITATION.—If
6 the research intensive investment tax credit limita-
7 tion for any calendar year exceeds the aggregate
8 amount allocated under paragraph (2) for such year,
9 such limitation for the succeeding calendar year
10 shall be increased by the amount of such excess. No
11 amount may be carried under the preceding sentence
12 to any calendar year after 2023.

13 “(e) CERTAIN TAXPAYERS NOT ELIGIBLE.—No cred-
14 it shall be determined under this section for any equity
15 investment in any qualified research intensive small busi-
16 ness concern made by any individual who, at the time of
17 the investment, is—

18 “(1) an employee of such concern, or

19 “(2) a member of the family (within the mean-
20 ing of section 267(c)(4)) of an employee of such con-
21 cern.

22 “(f) BASIS REDUCTION.—The basis of any qualified
23 equity investment shall be reduced by the amount of any
24 credit determined under this section with respect to such

1 investment. This subsection shall not apply for purposes
 2 of sections 1202, 1400B, and 1400F.

3 “(g) REGULATIONS.—The Secretary shall prescribe
 4 such regulations as may be appropriate to carry out this
 5 section, including regulations—

6 “(1) which prevent the abuse of the purposes of
 7 this section,

8 “(2) which impose appropriate reporting re-
 9 quirements, and

10 “(3) which apply the provisions of this section
 11 to newly formed entities.”.

12 (b) CREDIT MADE PART OF GENERAL BUSINESS
 13 CREDIT.—Subsection (b) of section 38 of such Code (re-
 14 lating to current year business credit) is amended by strik-
 15 ing “plus” at the end of paragraph (35), by striking the
 16 period at the end of paragraph (36) and inserting “, plus”,
 17 and by adding at the end the following new paragraph:

18 “(37) the research intensive investment tax
 19 credit determined under section 45S.”.

20 (c) CLERICAL AMENDMENT.—The table of sections
 21 for subpart D 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. 45S. Research intensive investment tax credit.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to investments made after Decem-
3 ber 31, 2014, in taxable years ending after such date.

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