114TH CONGRESS
1ST SESSION

S. 537

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

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 2015

Mr. CARPER (for himself and Mr. TOOMEY) 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 increase and make permanent the alternative simplified research credit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the"Competitiveness and Opportunity by Modernizing and Permanently Extending the Tax Credit for Experimentation Act of 2015" or the "COMPETE Act of 2015".

(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. PERMANENT EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

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

"(a) GENERAL RULE.—For purposes of section 38, the research credit determined under this section for the taxable year shall be an amount equal to 25 percent of so much of the qualified research expenses for the taxable year as exceeds 50 percent of the average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined.".

(b) SPECIAL RULES AND TERMINATION OF BASE AMOUNT CALCULATION.—

(1) IN GENERAL.—Subsection (c) of section 41 is amended to read as follows:

"(c) SPECIAL RULE IN CASE OF NO QUALIFIED RESEARCH EXPENSES IN ANY OF 3 PRECEDING TAXABLE YEARS.—

"(1) TAXPAYERS TO WHICH SUBSECTION APPLIES.—The credit under this section shall be determined under this subsection, and not under subsection (a), if, in any one of the 3 taxable years preceding the taxable year for which the credit is being determined, the taxpayer has no qualified research expenses.

"(2) CREDIT RATE.—The credit determined under this subsection shall be equal to 10 percent of the qualified research expenses for the taxable year.".

(2) CONSISTENT TREATMENT OF EXPENSES.—Subsection (b) of section 41 is amended by adding at the end the following new paragraph:

"(5) CONSISTENT TREATMENT OF EXPENSES REQUIRED.—

"(A) IN GENERAL.—Notwithstanding whether the period for filing a claim for credit or refund has expired for any taxable year in the 3-taxable-year period taken into account under subsection (a), the qualified research expenses taken into account for such year shall be determined on a basis consistent with the determination of qualified research expenses for the credit year.

"(B) PREVENTION OF DISTORTIONS.—The Secretary may prescribe regulations to prevent distortions in calculating a taxpayer's qualified research expenses caused by a change in accounting methods used by such taxpayer between the credit year and a year in such 3-taxable-year period.''.

(c) INCLUSION OF QUALIFIED RESEARCH EXPENSES OF AN ACQUIRED PERSON.—

(1) PARTIAL INCLUSION OF PRE-ACQUISITION QUALIFIED RESEARCH EXPENSES.—Subparagraph (A) of section 41(f)(3) is amended to read as follows:

''(A) ACQUISITIONS.—

''(i) IN GENERAL.—If a person acquires the major portion of a trade or business of another person (hereinafter in this paragraph referred to as the 'predecessor') or the major portion of a separate unit of a trade or business of a predecessor, then the amount of qualified research expenses paid or incurred by the acquiring person during the 3 taxable years preceding the taxable year in which the credit under this section is determined shall be increased by—

''(I) for purposes of applying this section for the taxable year in which such acquisition is made, the amount determined under clause (ii), and

"(II) for purposes of applying this section for any taxable year after the taxable year in which such acquisition is made, so much of the qualified research expenses paid or incurred by the predecessor with respect to the acquired trade or business during the portion of the measurement period that is part of the 3-taxable-year period preceding the taxable year for which the credit is determined as is attributable to the portion of such trade or business or separate unit acquired by such person.

"(ii) AMOUNT DETERMINED.—The amount determined under this clause is the amount equal to the product of—

"(I) so much of the qualified research expenses paid or incurred by the predecessor with respect to the acquired trade or business during the 3 taxable years before the taxable year in which the acquisition is made as is attributable to the portion of such trade or business or separate unit acquired by the acquiring person, and

"(II) the number of months in the period beginning on the date of the acquisition and ending on the last day of the taxable year in which the acquisition is made,

divided by 12.

"(iii) SPECIAL RULES FOR COORDINATING TAXABLE YEARS.—In the case of an acquiring person and a predecessor whose taxable years do not begin on the same date—

"(I) each reference to a taxable year in clauses (i) and (ii) shall refer to the appropriate taxable year of the acquiring person,

"(II) the qualified research expenses paid or incurred by the predecessor during each taxable year of the predecessor any portion of which is part of the measurement period shall be allocated equally among the months of such taxable year, and

"(III) the amount of such qualified research expenses taken into account under clauses (i) and (ii) with respect to a taxable year of the acquiring person shall be equal to the total of the expenses attributable under subclause (II) to the months occurring during such taxable year.

"(iv) MEASUREMENT PERIOD.—For purposes of this subparagraph, the term 'measurement period' means the taxable year of the acquiring person in which the acquisition is made and the 3 taxable years of the acquiring person preceding such taxable year.".

(2) EXPENSES OF A PREDECESSOR.—Subparagraph (B) of section 41(f)(3) is amended to read as follows:

"(B) DISPOSITIONS.—If the predecessor furnished to the acquiring person such information as is necessary for the application of subparagraph (A), then, for purposes of applying this section for any taxable year ending after such disposition, the amount of qualified research expenses paid or incurred by the predecessor during the 3 taxable years preceding such taxable year shall be reduced—

"(i) in the case of the taxable year in which such disposition is made, by an amount equal to the product of—

"(I) the amount of qualified research expenses paid or incurred during such 3 taxable years with respect to the acquired business, and

"(II) the number of days in the period beginning on the date of acquisition (as determined for purposes of subparagraph (A)(ii)(II)) and ending on the last day of the taxable year of the predecessor in which the disposition is made,

divided by the number of days in the taxable year of the predecessor, and

"(ii) in the case of any taxable year ending after the taxable year in which such disposition is made, the amount described in clause (i)(I).".

(d) AGGREGATION OF EXPENDITURES.—Paragraph (1) of section 41(f) is amended—

(1) by striking ‘‘of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums,’’ in subparagraph (A)(ii) and inserting ‘‘qualified research expenses’’, and

(2) by striking ‘‘of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums,’’ in subparagraph (B)(ii) and inserting ‘‘qualified research expenses’’.

(e) SPLIT 100 PERCENT CREDIT FOR CONTRACT RESEARCH EXPENSES.—Subparagraph (A) of section 41(b)(3) is amended to read as follows:

‘‘(A) IN GENERAL.—

‘‘(i) TAXPAYERS PAYING FOR CONTRACTED RESEARCH.—The term ‘contract research expenses’ means 65 percent of any amount paid or incurred by the taxpayer to any person (other than an employee of the taxpayer) for qualified research.

‘‘(ii) TAXPAYERS PERFORMING CONTRACTED RESEARCH.—In the case of a taxpayer (other than an entity described in subparagraph (C) or (D) or paragraph

(5)(C)) who receives amounts from any person (other than an employer of the taxpayer) for qualified research on behalf of such person, the term 'contract research expenses' means so much of the qualified research expenses paid or incurred by the taxpayer as does not exceed 35 percent of the amounts so received from such person.

"(iii) SPECIAL RULES.—For purposes of clause (ii)—

"(I) TRADE OR BUSINESS.—The qualified research expenses of the taxpayer shall be determined as if the trade or business of the taxpayer were the conduct of qualified research on behalf of other persons.

"(II) RESEARCH NOT TREATED AS FUNDED RESEARCH.—Subparagraph (H) of subsection (d)(4) shall not apply.

"(III) QUALIFIED RESEARCH.—The qualified research expenses of a taxpayer shall be determined as if the conditions of subparagraph (B) of subsection (d)(1) are satisfied if the business component described in subparagraph (B)(ii) thereof is a business component of either of the taxpayers described in clauses (i) and (ii).

"(IV) LIMITATION.—The qualified research expenses of a taxpayer shall not include any expenses that would not be eligible as in-house research expenses for purposes of paragraph (2).

"(iv) DENIAL OF DOUBLE BENEFIT.—The amount of any in-house research expenses taken into account under this section with respect to a taxpayer described in clause (ii) shall be reduced by the amount of the contract research expenses taken into account under such clause with respect to such taxpayer for the taxable year.".

(f) INCLUSION OF BASIC RESEARCH PAYMENTS.—Subsection (b) of section 41 is amended by redesignating paragraph (5), as added by this section, as paragraph (6), and by inserting after paragraph (4) the following new paragraph:

"(5) BASIC RESEARCH PAYMENTS.—

"(A) IN GENERAL.—In the case of basic research payments made by the taxpayer, paragraph (3)(A) shall be applied by substituting '100 percent' for '65 percent'.

"(B) BASIC RESEARCH PAYMENTS.—For purposes of this paragraph, the term 'basic research payment' means, with respect to any taxable year, any amount paid in cash during such taxable year by a corporation to any qualified organization for basic research, but only if—

"(i) such payment is made pursuant to a written agreement between such corporation and such qualified organization, and

"(ii) except in the case of a payment to a qualified organization described in clause (iii) or (iv) of subparagraph (C), such basic research is to be performed by such qualified organization.

"(C) QUALIFIED ORGANIZATION.—For purposes of this paragraph, the term 'qualified organization' means any of the following organizations:

"(i) EDUCATIONAL INSTITUTIONS.—Any educational organization which—

"(I) is an institution of higher education (within the meaning of section 3304(f)), and

"(II) is described in section 170(b)(1)(A)(ii).

"(ii) CERTAIN SCIENTIFIC RESEARCH ORGANIZATIONS.—Any organization not described in clause (i) which—

"(I) is described in section 501(c)(3) and is exempt from tax under section 501(a),

"(II) is organized and operated primarily to conduct scientific research, and

"(III) is not a private foundation.

"(iii) SCIENTIFIC TAX-EXEMPT ORGANIZATIONS.—Any organization which—

"(I) is described in section 501(c)(3) (other than a private foundation) or section 501(c)(6),

"(II) is exempt from tax under section 501(a), "(III) is organized and operated primarily to promote scientific research by qualified organizations described in clause (i) pursuant to written research agreements, and

"(IV) currently expends substantially all of its funds or substantially all of the basic research payments received by it for grants to, or contracts for basic research with, an organization described in clause (i).

"(iv) CERTAIN GRANT ORGANIZATIONS.—Any organization not described in clause (ii) or (iii) which—

"(I) is described in section 501(c)(3) and is exempt from tax under section 501(a) (other than a private foundation),

"(II) is established and maintained by an organization established before July 10, 1981, which meets the requirements of subclause (I),

"(III) is organized and operated exclusively for the purpose of making grants to organizations described in clause (i) pursuant to written research agreements for purposes of basic research, and

"(IV) makes an election, revocable only with the consent of the Secretary, to be treated as a private foundation for purposes of this title (other than section 4940, relating to excise tax based on investment income).

"(D) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) BASIC RESEARCH.—The term 'basic research' means any original investigation for the advancement of scientific knowledge not having a specific commercial objective, except that such term shall not include—

"(I) basic research conducted outside of the United States, and

"(II) basic research in the social sciences, arts, or humanities.

"(ii) TRADE OR BUSINESS QUALIFICATION.—For purposes of applying paragraph (1) to this paragraph, any basic research payments shall be treated as an amount paid in carrying on a trade or business of the taxpayer in the taxable year in which it is paid (without regard to the provisions of paragraph (3)(B)).

"(iii) CERTAIN CORPORATIONS NOT ELIGIBLE.—The term 'corporation' shall not include—

"(I) an S corporation,

"(II) a personal holding company (as defined in section 542), or

"(III) a service organization (as defined in section 414(m)(3)).".

(g) PERMANENT EXTENSION.—

(1) Section 41 is amended by striking subsection (h).

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

(h) CONFORMING AMENDMENTS.—

(1) TERMINATION OF BASIC RESEARCH PAYMENT CALCULATION.—Section 41 is amended—

(A) by striking subsection (e),

(B) by redesignating subsection (g) as subsection (e), and

(C) by relocating subsection (e), as so redesignated, immediately after subsection (d).

(2) SPECIAL RULES.—

(A) Paragraph (4) of section 41(f) is amended by striking ''and gross receipts''.

(B) Subsection (f) of section 41 is amended by striking paragraph (6).

(3) CROSS-REFERENCES.—

(A) Subparagraph (B) of section 45C(b)(1) is amended—

(i) by striking ''paragraph (3)(A)'' in clause (ii) and inserting ''paragraph (3)(A)(i)'',

(ii) by striking the period at the end of clause (ii) and inserting '', and'',

(iii) by striking ''and'' at the end of clause (i), and

(iv) by adding at the end the following new clause:

''(iii) by disregarding clauses (ii), (iii), and (iv) of paragraph (3)(A) of such subsection.''.

(B) Paragraph (2) of section 45C(c) is amended by striking ''base period research expenses" and inserting "average qualified research expenses".

(C) Subparagraph (A) of section 54(l)(3) is amended by striking "section 41(g)" and inserting "section 41(e)".

(D) Clause (i) of section 170(e)(4)(B) is amended by striking "subparagraph (A) or subparagraph (B) of section 41(e)(6)" and inserting "clause (i) or clause (ii) of section 41(b)(5)(C)".

(E) Section 280C is amended—

(i) by striking "or basic research expenses (as defined in section 41(e)(2))" in subsection (c)(1),

(ii) by striking "section 41(a)(1)" in subsection (c)(2)(A) and inserting "section 41(a)", and

(iii) by striking "or basic research expenses" in subsection (c)(2)(B).

(F) Clause (i) of section 1400N(l)(7)(B) is amended by striking "section 41(g)" and inserting "section 41(e)".

(i) TECHNICAL CORRECTIONS.—Section 409 is amended—

(1) by inserting ", as in effect before the enactment of the Tax Reform Act of 1984)" after "section 41(c)(1)(B)" in subsection (b)(1)(A),

(2) by inserting ", as in effect before the enactment of the Tax Reform Act of 1984" after "relating to the employee stock ownership credit" in subsection (b)(4),

(3) by inserting "(as in effect before the enactment of the Tax Reform Act of 1984)" after "section 41(c)(1)(B)" in subsection (i)(1)(A),

(4) by inserting "(as in effect before the enactment of the Tax Reform Act of 1984)" after "section 41(c)(1)(B)" in subsection (m), and

(5) by inserting "(as so in effect)" after "section 48(n)(1)" in subsection (m).

(j) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to taxable years beginning after December 31, 2015.

(2) PERMANENT EXTENSION.—The amendments made by subsection (g) shall apply to amounts paid or incurred after December 31, 2014.

(3) TECHNICAL CORRECTIONS.—The amendments made by subsection (i) shall take effect on the date of the enactment of this Act.

SEC. 3. EXCEPTION FROM PASSIVE LOSS RULES FOR INVESTMENTS IN HIGH TECHNOLOGY RESEARCH SMALL BUSINESS PASS-THRU ENTITIES.

(a) IN GENERAL.—Subsection (c) of section 469 is amended by redesignating paragraphs (4) through (7) as paragraphs (5) through (8), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) HIGH TECHNOLOGY RESEARCH ACTIVITIES.—

"(A) IN GENERAL.—The term 'passive activity' shall not include any qualified research activity of the taxpayer carried on by a high technology research small business pass-thru entity.

"(B) TREATMENT OF LOSSES AND DEDUCTIONS.—

"(i) IN GENERAL.—Losses or deductions of a taxpayer in connection with qualified research activities carried on by a high technology research small business pass-thru entity shall not be treated as losses or deductions, respectively, from a passive activity except as provided in clause (ii) and subparagraph (C).

"(ii) LIMITATION.—Clause (i) shall apply to losses and deductions of a taxpayer in connection with a high technology small business pass-thru entity for a taxable year only to the extent that the aggregate losses and deductions of the taxpayer in connection with qualified research activities of such entity for such taxable year do not exceed the portion of the taxpayer's adjusted basis in the taxpayer's ownership interest in such entity that is attributable to money or other property contributed—

"(I) in exchange for such ownership interest, and

"(II) specifically for use in connection with qualified research activities.

For purposes of the preceding sentence, the taxpayer's basis shall not include any portion of such basis which is attributable to an increase in a partner's share of the liabilities of a partnership that is considered under section 752(a) as a contribution of money.

"(C) TREATMENT OF CARRYOVERS.—Subparagraph (B)(i) shall not apply to the portion of any loss or deduction that is carried over under subsection (b) into a taxable year other than the taxable year in which such loss or deduction arose.

"(D) QUALIFIED RESEARCH ACTIVITY.—For purposes of this paragraph, the term 'qualified research activity' means any activity constituting qualified research (within the meaning of section 41(d)(1)(B) and taking into account paragraphs (3) and (4) of section 41(d)) which involves a process of experimentation.

"(E) HIGH TECHNOLOGY RESEARCH SMALL BUSINESS PASS-THRU ENTITY.—For purposes of this paragraph, the term 'high technology research small business pass-thru entity' means any domestic pass-thru entity for any taxable year if—

"(i) either—

"(I) more than 75 percent of the entity's expenditures (including salaries, rent and overhead) for such taxable year are paid or incurred in connection with qualified research (within the meaning of section 41(d)(1)(B), taking into account paragraphs (3) and (4) of section 41(d)) that involves a process of experimentation conducted by the entity, or

"(II) more than 50 percent of the entity's expenditures for such taxable year constitute qualified research expenses (as defined in section 41(b), but determined without regard to the phrase '65 percent of' in paragraph (3)(A) thereof),

"(ii) such entity is a small business (within the meaning of section 41(b)(3)(D)(iii), applied by substituting '250' for '500' in subclause (I) thereof), and

"(iii) at no time during the taxable year does the entity have aggregate gross assets in excess of $150,000,000.

"(F) PROVISIONS RELATED TO AGGREGATE GROSS ASSETS LIMITATION.—For purposes of this paragraph—

"(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the term 'aggregate gross assets' has the meaning given such term in section 1202(d)(2).

"(ii) EXCEPTION FOR CERTAIN INTANGIBLES.—Any section 197 intangible (as defined in section 197(d) and determined without regard to section 197(e)) which is used directly in connection with the research referred to in subparagraph (E)(i) shall not be taken into account in determining aggregate gross assets.

"(iii) EXCEPTION FOR CERTAIN FOLLOW-ON INVESTMENTS.—Cash from a sale of equity interests shall not be taken into account in determining aggregate gross assets if—

"(I) the aggregate gross assets of such entity (determined immediately after such sale and without regard to this clause) do not exceed the sum of

$150,000,000, plus 25 percent of the aggregate gross assets of such entity (determined immediately before such sale and without regard to this clause), and

"(II) the aggregate gross assets of such entity (determined immediately before such sale and without regard to this clause) do not exceed $150,000,000.

Sales of equity interests which are part of the same plan or arrangement, or which are carried out with the principal purpose of increasing the amount of cash to which this clause applies (determined without regard to this sentence), shall be treated as a single sale for purposes of this clause.

"(iv) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2016, the $150,000,000 amount in subparagraph (E)(iii) and subclauses (I) and (II) of clause (iii) shall each be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost of living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins determined by substituting 'calendar year 2015' for 'calendar year 1992' in subparagraph (B) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest $100,000.

"(G) CAPITAL EXPENDITURES TAKEN INTO ACCOUNT FOR EXPENDITURES TEST.—An expenditure shall not fail to be taken into account under subparagraph (E)(i) merely because such expenditure is chargeable to capital account.

"(H) PASS-THRU ENTITY.—For purposes of this paragraph, the term 'pass-thru entity' means any partnership, S corporation, or other entity identified by the Secretary as a pass-thru entity for purposes of this paragraph.

"(I) AGGREGATION RULES.—

"(i) IN GENERAL.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (m) or (o) of section 414, shall be treated as a single entity for purposes of subparagraphs (E) and (F)(iii).

"(ii) LIMITATION WHERE ENTITY WOULD NOT QUALIFY.—No entity shall be treated as a high technology research small business pass-thru entity unless such entity qualifies as such both with and without the application of clause (i).

"(J) ACTIVITIES NOT ENGAGED IN FOR PROFIT AND ECONOMIC SUBSTANCE RULES.—Section 183 and the economic substance rules of section 7701(o) shall not apply to disallow the losses, deductions, and credits of a high technology research small business pass-thru entity solely as a result of losses incurred by such entity.".

(b) MATERIAL PARTICIPATION NOT REQUIRED.—Paragraph (5) of section 469(c) of such Code, as redesignated by subsection (a), is amended by striking "and (3)" in the heading and text and inserting ", (3), and (4)".

(c) CERTAIN RESEARCH-RELATED DEDUCTIONS AND CREDITS OF HIGH TECHNOLOGY RESEARCH SMALL BUSINESS PASS-THRU ENTITIES ALLOWED FOR PURPOSES OF DETERMINING ALTERNATIVE MINIMUM TAX.—

(1) DEDUCTION FOR RESEARCH AND EXPERIMENTAL EXPENDITURES.—Paragraph (2) of section 56(b) of such Code is amended by adding at the end the following new subparagraph:

"(E) EXCEPTION FOR HIGH TECHNOLOGY RESEARCH SMALL BUSINESS PASS-THRU ENTITIES.—In the case of a high technology research small business pass-thru entity (as defined in section 469(c)(4)), this paragraph shall not apply to any amount allowable as a deduction under section 174(a).".

(2) ALLOWANCE OF CERTAIN RESEARCH-RELATED CREDITS.—Subparagraph (B) of section 38(c)(4) of such Code is amended by redesignating clauses (ii) through (ix) as clauses (iii) through (x), respectively, and by inserting after clause (i) the following new clause:

"(ii) the credits determined with respect to an individual taxpayer under sections 41 and 48D to the extent attributable to a high technology research small business pass-thru entity (as defined in section 469(c)(4)),".

(d) EXCEPTION TO LIMITATION ON PASS-THRU OF RESEARCH CREDIT.—Subsection (g) of section 41 of such

Code is amended by adding at the end the following: "Paragraphs (2) and (4) shall not apply with respect to any high technology research small business pass-thru entity (as defined in section 469(c)(4))."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to losses and credits arising in taxable years beginning on or after December 31, 2015.

SEC. 4. CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Subparagraph (B) of section 38(c)(4), as amended by this Act, is amended—

(1) by redesignating clauses (iii) through (x) as clauses (iv) through (xi), respectively, and

(2) by inserting after clause (i) the following new clause:

"(ii) for taxable years beginning after December 31, 2015, the credit determined under section 41,".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

SEC. 5. TAX-EXEMPT FINANCING OF RESEARCH PARK FACILITIES.

(a) IN GENERAL.—Subsection (a) of section 142 is amended—

(1) by striking "or" at the end of paragraph (14),

(2) by striking the period at the end of paragraph (15) and inserting ", or", and

(3) by inserting at the end the following new paragraph:

"(16) research park facilities.".

(b) DEFINITION.—Section 142 is amended by inserting at the end the following new subsection:

"(n) RESEARCH PARK FACILITIES.—For purposes of subsection (a)(16), the term 'research park facility' means a facility (including buildings, land, or other structures) which is used in connection with research and experimentation (as defined in section 168(i)(11)). For purposes of the preceding sentence, such term includes facilities which are directly related and ancillary to a research park facility (determined without regard to this sentence) if—

"(1) such facilities are located on the same site as the research park facility, and

"(2) not more than 25 percent of the net proceeds of the issue are used to provide such facilities.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to bonds issued on or after the date of the enactment of this Act.

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