

House Bill 118

Research and Development Tax Credit

House
Labor & Commerce Committee

Friday, February 18, 2011

HB 118: Research and Development Tax Credit

Federal R&D Tax Credit

- *Established in 1981*
- *Reauthorized 14 times*
- *Authorized through 2011*

“permanently extend the Research and Experimentation Tax Credit in order to help companies create good jobs in America now while increasing future productivity and growth.”

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Four-Part-Test – I.R.C.

Technological in Nature - must fundamentally rely on the principles of physics, biology, chemistry, mathematics, and computer science.

Level of Technological Uncertainty - activities have an associated level of uncertainty related to the development or improvement of a product or process.

Process of Experimentation –incorporates a process of theoretical and physical evaluation designed to evaluate one or more alternatives.

Permitted Purpose –requires that the goal of the activity is to improve the fit, form, or function of a product or process for a business component.

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The Innovation Agenda

America COMPETES Act strengthens the capacity of the U.S. Economic Development Administration (EDA) to elevate regional innovation cluster development as a key driver of future jobs growth and ***accelerate the commercialization of new technologies, products, processes, and services.***

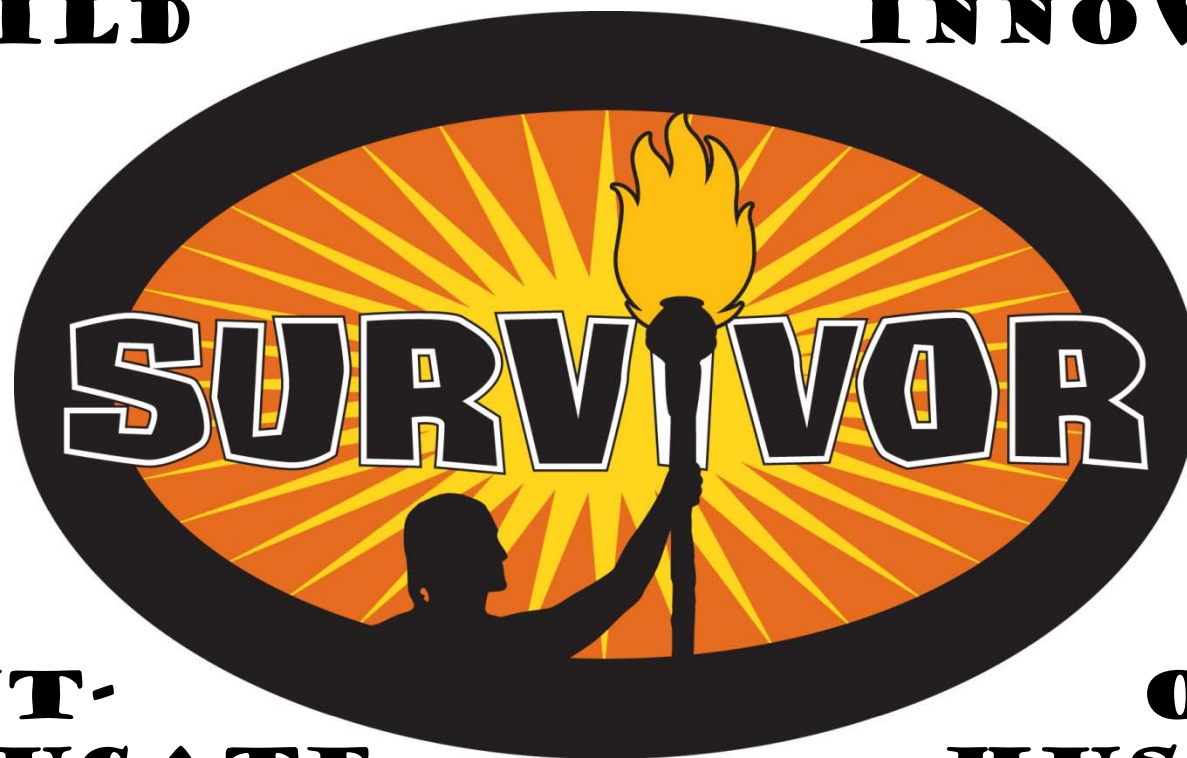
It also formally establishes EDA's Office of Innovation and Entrepreneurship at the Department of Commerce to ***foster innovation and the commercialization of new technologies, products, processes, and services with the goal of promoting productivity and economic growth in the United States.***

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The Innovation Agenda

**OUT-
BUILD**

**OUT-
INNOVATE**



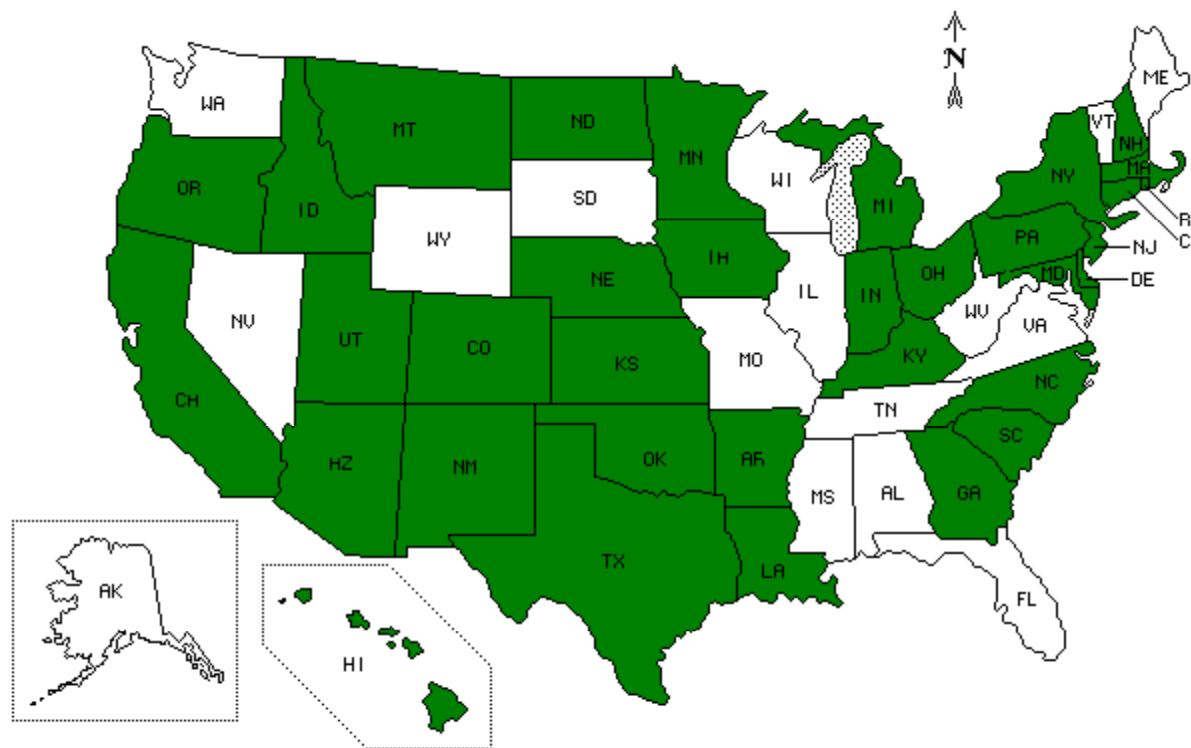
**OUT-
EDUCATE**

**OUT-
HUSTLE**

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States with an R&D Tax Credit

34 U.S. states currently have some form of R&D tax credit or incentive



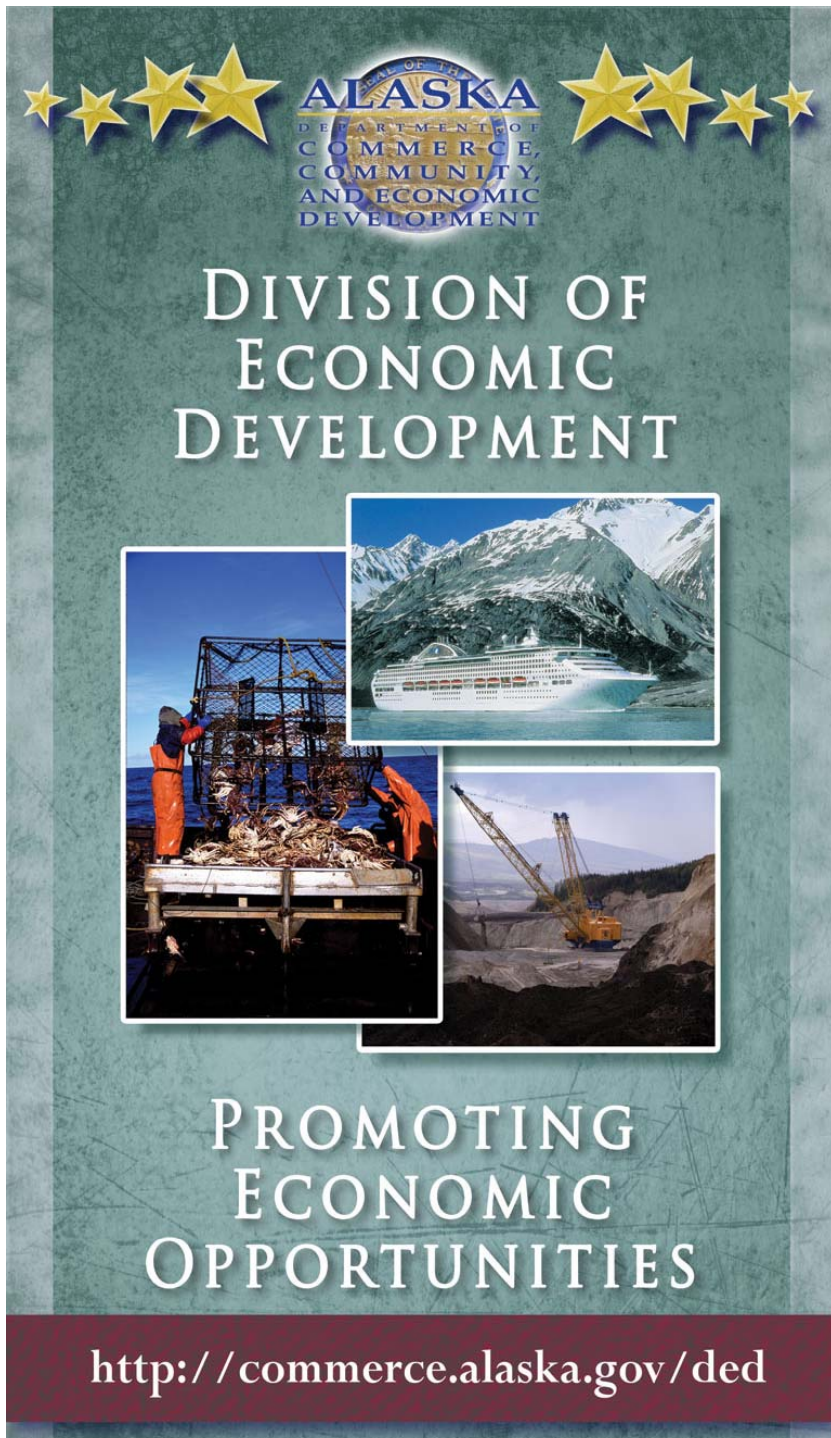
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Prepared by the Department of Commerce, Community and Economic Development

HB 118 : Research and Development Tax Credit

HB 118: R&D Tax Credit

Creates a new tax credit for qualified research and development for a 20% credit not to exceed \$10 million per tax payer per tax year for the three years immediately preceding the year in which the credit is claimed.



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