



HB 118 Presentation Alaska State Legislature

February 6, 2012

ALASKA
DEPARTMENT OF
COMMERCE,
COMMUNITY,
AND ECONOMIC
DEVELOPMENT

HB 118 Research & Development Tax Credit

Federal R&D Tax Credit

- Established in 1981
- Reauthorized 14 times
- Authorized through 2011 – Legislation has been introduced (HR 1693) to make the R&D Tax Credit permanent

“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.”

HB 118 Research & Development Tax Credit

This legislation would allow Alaska corporations to receive a 20% tax credit, not to exceed \$10 million per taxpayer, per tax year. The research and development activities, or the payroll of the employees, must take place in Alaska.

To qualify, research and development activities must meet the following:

1. The purpose is discovering information technological in nature; AND
2. The application of which is intended to be useful in the development of a new or improved component of the taxpayer; AND
3. Substantially all of the activities constitute a process of experimentation; AND
4. The experimentation is for a qualifying activity or purpose.

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What Qualifies:

- Developing new or improved products, processes, or formulas
- Developing prototypes or models
- Building or improving manufacturing facilities
- Developing or improving software technologies
- Certification testing
- Developing or applying for patents

What Doesn't Qualify:

- Exploration activity to ascertain the existence, location, extent, or quality of any ore or mineral deposit
- Duplicating an existing business component
- Surveys and studies such as market research, advertising, and routine data collection
- Research in the social sciences, arts, or humanities
- Anything for style, taste, cosmetic, or seasonal reasons

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1. Fisheries: Seafood Processing Waste Disposal

- EPA restricting processing effluent
- Research needed to reduce sediment piles through process innovation, increased protein and by-product utilization
- Tax credits means research conducted in AK, plus jobs, vendor payments, increased experience, and capacity building in process and product innovation

2. Minerals: Rare Earth Deposit Processing

- Need customized process for milling and recovery to use deposits to fullest potential
- More than 240 processes may be required to reach all components in a deposit

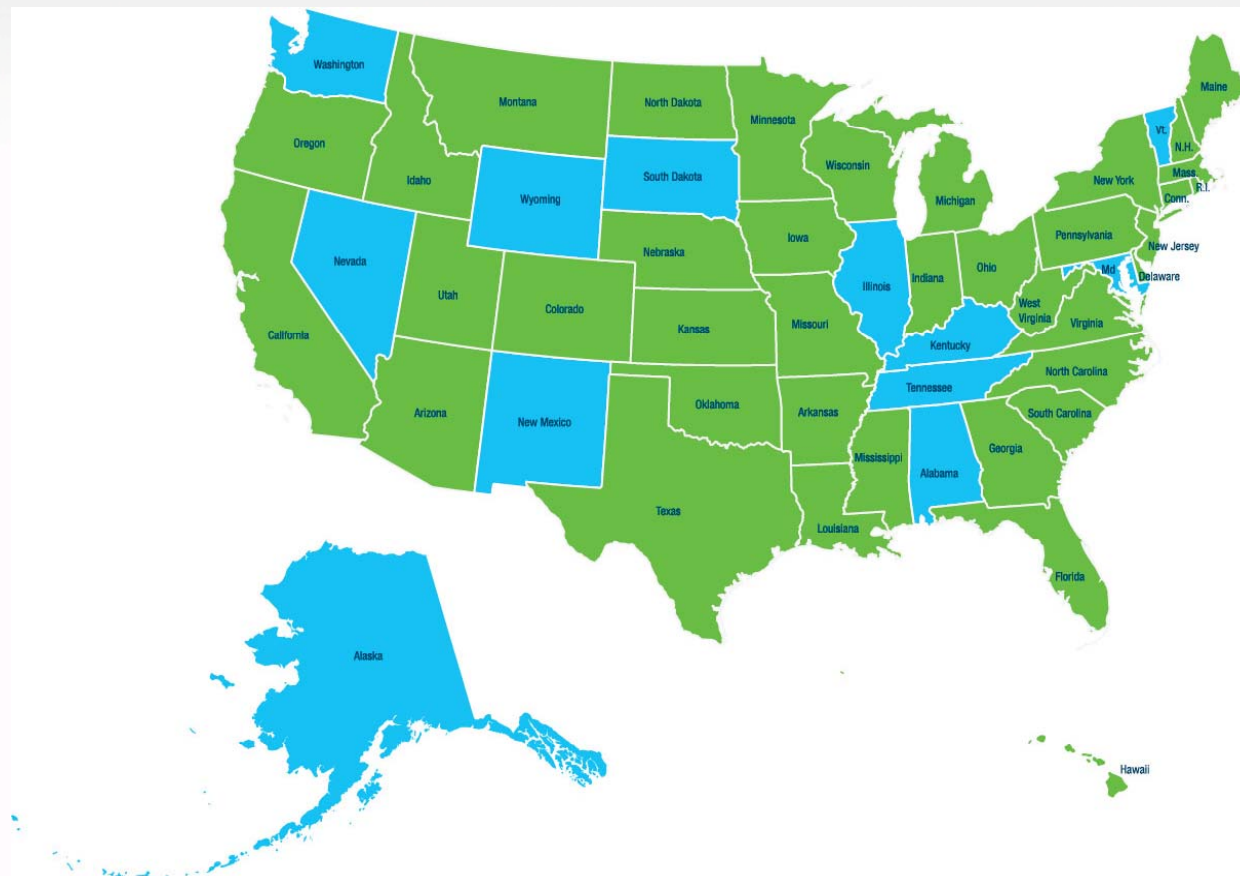
3. Timber: Use in Architectural and Building Industries

- To be specified for many building and architectural uses, species must have technical standards set for each product form

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States with an R&D Tax Credit

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



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Comments and Questions