

**CS FOR HOUSE BILL NO. 118(L&C)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 3/14/11

Referred: Finance

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to a tax credit for corporate income taxes paid for qualified research**  
2 **and development expenditures; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

5 **Sec. 43.20.047. Qualified research and development tax credit.** (a) Subject  
6 to the terms and conditions of this section and in addition to any other credit  
7 authorized to the taxpayer by this chapter, a taxpayer may apply 20 percent of the  
8 taxpayer's expenditure for qualified research and development attributable to this state  
9 for the taxable year that exceeds the base amount as a credit not to exceed \$10,000,000  
10 against the state tax liability imposed on the taxpayer under this chapter.

11 (b) Qualified research and development expenditures are attributable to this  
12 state if the research and development is being conducted in this state or the payroll of  
13 employees conducting the research and development is in this state. In this subsection,  
14 payroll of an employee is in this state if compensation is paid to an employee in this

1 state and reported as paid in this state in the quarterly contribution report under  
2 AS 23.20 to the Department of Labor and Workforce Development.

3 (c) If the tax credit under this section exceeds the taxpayer's tax liability after  
4 other tax credits are taken under this chapter for the year in which the expenditure is  
5 incurred, the excess of the tax credit over the liability may be carried forward for up to  
6 seven years. If an unused credit is carried forward to a tax year from an earlier year,  
7 the credit arising in the earliest year is applied first against the tax liability for the year.

8 (d) A person may not claim a credit under this section for qualified research  
9 and development expenditures that were deducted in the calculation of tax liability  
10 under AS 43.20.011(e) or for which any other credit, including any federal credit, has  
11 been apportioned to this state and claimed under AS 43.20.021.

12 (e) Each year, if three or more taxpayers claim the credit authorized under this  
13 section during the immediately preceding year, the department shall report the number  
14 of taxpayers who claimed credits under this section in the prior year, the total  
15 cumulative amount of credits granted to all taxpayers under this section for the prior  
16 tax year, and the total cumulative number of employees conducting the research and  
17 development for which all taxpayers claim the credit.

18 (f) In this section,

19 (1) "base amount" means the average of qualified research and  
20 development expenditures attributable to this state for the three tax years immediately  
21 preceding the taxable year for which the credit is being claimed;

22 (2) "qualified research and development" has the meaning given to  
23 "qualified research" in 26 U.S.C. 41(d) (Internal Revenue Code), as amended, that is  
24 attributable to this state.

25 \* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).