A bill for an act

relating to taxation; extending the research credit to individual income tax; amending Minnesota Statutes 2008, section 290.068, subdivisions 1, 3, 4.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** A ~~corporation, other than a corporation treated as an "S" corporation under section 290.9725,~~ taxpayer is allowed a credit against ~~the portion of~~ the ~~franchise~~ tax computed under section 290.06~~, subdivision 1,~~ for the taxable year equal to:

~~(a) 5~~ (1) ten percent of the first $2,000,000 of the excess (if any) of

~~(1)~~ (i) the qualified research expenses for the taxable year, over

~~(2)~~ (ii) the base amount; and

~~(b)~~ (2) 2.5 percent on all of such excess expenses over $2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 2. Minnesota Statutes 2008, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a)(1) The credit for the taxable year shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under section 290.06, subdivision 1, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(2) ~~In the case of a corporation which is~~ For a partner in a partnership and for a shareholder in an S corporation, the credit allowed for the taxable year shall not exceed

the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to the ~~corporation's~~ taxpayer's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the ~~corporation's~~ taxpayer's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 3. Minnesota Statutes 2008, section 290.068, subdivision 4, is amended to read:

Subd. 4. **Partnerships and S corporations.** In the case of partnerships and S corporations the credit shall be allocated in the same manner provided by ~~section~~ sections 41(f)(2) and 41(g) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.