

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 305

(SENATE AUTHORS: REST, Kent, Gazelka and Sparks)

DATE	D-PG	OFFICIAL STATUS
01/26/2015	128	Introduction and first reading Referred to Taxes

1.1 A bill for an act
 1.2 relating to taxation; income; increasing the rate of and providing for limited
 1.3 refundability of the research credit; amending Minnesota Statutes 2014, section
 1.4 290.068, subdivisions 1, 3, 6a.

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

1.6 Section 1. Minnesota Statutes 2014, section 290.068, subdivision 1, is amended to read:

1.7 Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or
 1.8 shareholders in a corporation treated as an "S" corporation under section 290.9725 are
 1.9 allowed a credit against the tax computed under this chapter for the taxable year equal to:

- 1.10 (a) ten percent of the first \$2,000,000 of the excess (if any) of
 1.11 (1) the qualified research expenses for the taxable year, over
 1.12 (2) the base amount; and
 1.13 (b) ~~2.5~~ four percent on all of such excess expenses over \$2,000,000.

1.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 1.15 December 31, 2015.

1.16 Sec. 2. Minnesota Statutes 2014, section 290.068, subdivision 3, is amended to read:

1.17 Subd. 3. **Limitation; carryover.** (a) Except as provided in subdivision 6a,
 1.18 paragraph (b), the credit for a taxable year beginning before January 1, 2010, and after
 1.19 December 31, 2012, shall not exceed the liability for tax. "Liability for tax" for purposes
 1.20 of this section means the sum of the tax imposed under section 290.06, subdivisions 1 and
 1.21 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under
 1.22 this chapter, on all of the entities required to be included on the combined report of the
 1.23 unitary business. If the amount of the credit allowed exceeds the liability for tax of the

2.1 taxpayer, but is allowed as a result of the liability for tax of other members of the unitary
2.2 group for the taxable year, the taxpayer must allocate the excess as a research credit
2.3 to another member of the unitary group.

2.4 (b) In the case of a corporation which is a partner in a partnership, the credit allowed
2.5 for the taxable year shall not exceed the lesser of the amount determined under paragraph
2.6 (a) for the taxable year or an amount (separately computed with respect to the corporation's
2.7 interest in the trade or business or entity) equal to the amount of tax attributable to that
2.8 portion of taxable income which is allocable or apportionable to the corporation's interest
2.9 in the trade or business or entity.

2.10 (c) If the amount of the credit determined under this section for any taxable year
2.11 exceeds the limitation under paragraph (a) or (b), including amounts allowed as a refund
2.12 under subdivision 6a, paragraph (b), or allocated to other members of the unitary group,
2.13 the excess shall be a research credit carryover to each of the 15 succeeding taxable years.
2.14 The entire amount of the excess unused credit for the taxable year shall be carried first
2.15 to the earliest of the taxable years to which the credit may be carried and then to each
2.16 successive year to which the credit may be carried. The amount of the unused credit
2.17 which may be added under this clause shall not exceed the taxpayer's liability for tax
2.18 less the research credit for the taxable year.

2.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.20 December 31, 2014.

2.21 Sec. 3. Minnesota Statutes 2014, section 290.068, subdivision 6a, is amended to read:

2.22 Subd. 6a. **Credit to be refundable.** (a) If the amount of credit allowed in this
2.23 section for qualified research expenses incurred in taxable years beginning after December
2.24 31, 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this
2.25 chapter, the commissioner shall refund the excess amount. The credit allowed for qualified
2.26 research expenses incurred in taxable years beginning after December 31, 2009, and before
2.27 January 1, 2013, must be used before any research credit earned under subdivision 3.

2.28 (b) If the first \$200,000 of the credit allowed in this section for qualified research
2.29 expenses incurred in taxable years beginning after December 31, 2014, exceeds the
2.30 taxpayer's tax liability under this chapter, the commissioner shall refund the excess amount.
2.31 The \$200,000 limit must be applied at the corporation, partnership, or other entity level.
2.32 The credit allowed for qualified research expenses incurred in taxable years beginning
2.33 before January 1, 2015, must be used before any research credit earned under subdivision 3.

3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.2 December 31, 2014.