SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 996

(SENATE AUTHORS: SENJEM)

DATE	D-PG	OFFICIAL STATUS
02/07/2019	301	Introduction and first reading Referred to Taxes

A bill for an act

relating to taxation; income and corporate franchise tax; modifying the research credit; amending Minnesota Statutes 2018, section 290.068, subdivisions 1, 2, by adding a subdivision.

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

Section 1. Minnesota Statutes 2018, section 290.068, subdivision 1, is amended to read:

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

~~(a)~~ (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) four percent on all of such excess expenses over $2,000,000~~.~~; or

(3) for a taxpayer with a valid alternative simplified credit election in effect, six percent on all qualified research expenses for the taxable year over the base amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 2. Minnesota Statutes 2018, section 290.068, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means:

(1) for taxpayers not subject to clause (2), the base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts and aggregate gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in paragraphs (a) and (b) ~~shall~~ apply~~.~~; or

(2) for a taxpayer with an alternative simplified credit election in place under subdivision 2a for the taxable year, 50 percent of the average qualified research expenses for the three taxable years preceding the taxable year for which the credit is being determined.

(d) "Liability for tax" means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, on all of the entities required to be included on the combined report of the unitary business.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 3. Minnesota Statutes 2018, section 290.068, is amended by adding a subdivision to read:

Subd. 2a. **Alternative simplified credit election.** (a) A corporation, partnership, or other taxpayer qualifying for a credit under this section may elect on an original return, including all extensions, to calculate its base amount under subdivision 2, paragraph (c), clause (2), for the taxable year. A taxpayer may revoke the election without approval of the commissioner, but is precluded from making the election for the five taxable years immediately following the taxable year to which the revocation applies.

(b) For a partnership, the election must be made by the partnership on the partnership return or other form, as required by the commissioner, and applies to all of its partners.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.