

112TH CONGRESS  
2D SESSION

# S. 3307

To amend the Internal Revenue Code of 1986 to make permanent the credit for increasing research activities, to increase such credit for amounts paid or incurred for qualified research occurring in the United States, and to increase the domestic production activities deduction for the manufacture of property substantially all of the research and development of which occurred in the United States, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JUNE 18, 2012

Mr. BROWN of Ohio (for himself and Mr. CASEY) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to make permanent the credit for increasing research activities, to increase such credit for amounts paid or incurred for qualified research occurring in the United States, and to increase the domestic production activities deduction for the manufacture of property substantially all of the research and development of which occurred in the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “21st Century Invest-  
3 ment Act of 2012”.

4 **SEC. 2. RESEARCH CREDIT MADE PERMANENT.**

5 (a) IN GENERAL.—Section 41 of the Internal Rev-  
6 enue Code of 1986 is amended by striking subsection (h).

7 (b) CONFORMING AMENDMENT.—Paragraph (1) of  
8 section 45C(b) of such Code is amended by striking sub-  
9 paragraph (D).

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this subsection shall apply to amounts paid or incurred  
12 after December 31, 2011.

13 **SEC. 3. INCREASE IN SIMPLIFIED RESEARCH CREDIT.**

14 (a) IN GENERAL.—Subparagraph (A) of section  
15 41(c)(5) of the Internal Revenue Code of 1986 is amended  
16 by striking “14 percent (12 percent in the case of taxable  
17 years ending before January 1, 2009)” and inserting “20  
18 percent”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2011.

22 **SEC. 4. INCREASE IN RESEARCH CREDIT FOR RESEARCH**  
23 **WITH UNITED STATES BUSINESSES.**

24 (a) IN GENERAL.—Section 41 of the Internal Rev-  
25 enue Code of 1986, as amended by section 2 of this Act,  
26 is amended by redesignating subsection (h) as subsection

1 (i) and by inserting after subsection (g) the following new  
2 subsection:

3 “(h) SPECIAL RULE FOR RESEARCH WITH UNITED  
4 STATES MANUFACTURING BUSINESS.—

5 “(1) IN GENERAL.—If the taxpayer elects the  
6 application of this subsection, subsection (a)(1) shall  
7 be applied by substituting ‘25 percent’ for ‘20 per-  
8 cent’ with respect to qualified United States re-  
9 search expenses.

10 “(2) QUALIFIED UNITED STATES RESEARCH  
11 EXPENSES.—For purposes of this subsection, the  
12 term ‘qualified United States research expenses’  
13 means qualified research expenses for qualified re-  
14 search, substantially all of which occurs in the  
15 United States.

16 “(3) SEPARATE APPLICATION OF SECTION.—In  
17 the case of any election of the application of this  
18 subsection, this section shall be applied separately  
19 with respect to qualified United States research ex-  
20 penses.”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to amounts paid or incurred for  
23 taxable years beginning after the date of the enactment  
24 of this Act.

1 **SEC. 5. INCREASE IN DOMESTIC PRODUCTION ACTIVITIES**  
2 **DEDUCTION FOR MANUFACTURED PROP-**  
3 **ERTY RESEARCHED AND DEVELOPED IN**  
4 **UNITED STATES.**

5 (a) IN GENERAL.—Subsection (d) of section 199 of  
6 the Internal Revenue Code of 1986 is amended by redesi-  
7 gnating paragraph (10) as paragraph (11) and by inserting  
8 after paragraph (9) the following new paragraph:

9 “(10) SPECIAL RULE FOR CERTAIN MANUFAC-  
10 TURING.—

11 “(A) IN GENERAL.—In the case qualified  
12 production activities income attributable to the  
13 manufacture or production of qualifying pro-  
14 duction property substantially all of the re-  
15 search and development of which occurred in  
16 the United States, subsection (a) shall be ap-  
17 plied by substituting ‘15 percent’ for ‘9 per-  
18 cent’.

19 “(B) SPECIAL RULE WHEN TAXABLE IN-  
20 COME USED TO DETERMINE DEDUCTION.—In  
21 the case of any taxable year for which the tax-  
22 payer’s qualified production activities income  
23 exceeds the taxpayer’s taxable income (deter-  
24 mined without regard to this section), the  
25 amount of taxable income to which the 15 per-  
26 cent amount in subparagraph (A) applies under

1 subsection (a)(1) shall be an amount equal to  
2 the amount which bears the same ratio to such  
3 taxable income (as so determined) as—

4 “(i) the amount of qualified produc-  
5 tion activities income of the taxpayer for  
6 the taxable year which is attributable to  
7 the manufacture or production of quali-  
8 fying production property substantially all  
9 of the research and development with re-  
10 spect to which occurred in the United  
11 States, bears to

12 “(ii) all qualified production activities  
13 income of the taxpayer for the taxable  
14 year.

15 “(C) TERMINATION.—This paragraph shall  
16 not apply to taxable years beginning after De-  
17 cember 31, 2020.”.

18 (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 the date of the enactment of this Act.

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