

113TH CONGRESS
2D SESSION

H. R. 4438

IN THE SENATE OF THE UNITED STATES

MAY 12, 2014

Received

AN ACT

To amend the Internal Revenue Code of 1986 to simplify
and make permanent the research credit.

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 “American Research
3 and Competitiveness Act of 2014”.

4 **SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-**
5 **NENT.**

6 (a) IN GENERAL.—Subsection (a) of section 41 of the
7 Internal Revenue Code of 1986 is amended to read as fol-
8 lows:

9 “(a) IN GENERAL.—For purposes of section 38, the
10 research credit determined under this section for the tax-
11 able year shall be an amount equal to the sum of—

12 “(1) 20 percent of so much of the qualified re-
13 search expenses for the taxable year as exceeds 50
14 percent of the average qualified research expenses
15 for the 3 taxable years preceding the taxable year
16 for which the credit is being determined,

17 “(2) 20 percent of so much of the basic re-
18 search payments for the taxable year as exceeds 50
19 percent of the average basic research payments for
20 the 3 taxable years preceding the taxable year for
21 which the credit is being determined, plus

22 “(3) 20 percent of the amounts paid or in-
23 curred by the taxpayer in carrying on any trade or
24 business of the taxpayer during the taxable year (in-
25 cluding as contributions) to an energy research con-
26 sortium for energy research.”.

1 (b) REPEAL OF TERMINATION.—Section 41 of such
2 Code is amended by striking subsection (h).

3 (c) CONFORMING AMENDMENTS.—

4 (1) Subsection (c) of section 41 of such Code
5 is amended to read as follows:

6 “(c) DETERMINATION OF AVERAGE RESEARCH EX-
7 PENSES FOR PRIOR YEARS.—

8 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED
9 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING
10 TAXABLE YEARS.—In any case in which the taxpayer
11 has no qualified research expenses in any one of the
12 3 taxable years preceding the taxable year for which
13 the credit is being determined, the amount deter-
14 mined under subsection (a)(1) for such taxable year
15 shall be equal to 10 percent of the qualified research
16 expenses for the taxable year.

17 “(2) CONSISTENT TREATMENT OF EX-
18 PENSES.—

19 “(A) IN GENERAL.—Notwithstanding
20 whether the period for filing a claim for credit
21 or refund has expired for any taxable year
22 taken into account in determining the average
23 qualified research expenses, or average basic re-
24 search payments, taken into account under sub-
25 section (a), the qualified research expenses and

1 basic research payments taken into account in
2 determining such averages shall be determined
3 on a basis consistent with the determination of
4 qualified research expenses and basic research
5 payments, respectively, for the credit year.

6 “(B) PREVENTION OF DISTORTIONS.—The
7 Secretary may prescribe regulations to prevent
8 distortions in calculating a taxpayer’s qualified
9 research expenses or basic research payments
10 caused by a change in accounting methods used
11 by such taxpayer between the current year and
12 a year taken into account in determining the
13 average qualified research expenses or average
14 basic research payments taken into account
15 under subsection (a).”.

16 (2) Section 41(e) of such Code is amended—

17 (A) by striking all that precedes paragraph
18 (6) and inserting the following:

19 “(e) BASIC RESEARCH PAYMENTS.—For purposes of
20 this section—

21 “(1) IN GENERAL.—The term ‘basic research
22 payment’ means, with respect to any taxable year,
23 any amount paid in cash during such taxable year
24 by a corporation to any qualified organization for
25 basic research but only if—

1 “(A) such payment is pursuant to a writ-
2 ten agreement between such corporation and
3 such qualified organization, and

4 “(B) such basic research is to be per-
5 formed by such qualified organization.

6 “(2) EXCEPTION TO REQUIREMENT THAT RE-
7 SEARCH BE PERFORMED BY THE ORGANIZATION.—
8 In the case of a qualified organization described in
9 subparagraph (C) or (D) of paragraph (3), subpara-
10 graph (B) of paragraph (1) shall not apply.”,

11 (B) by redesignating paragraphs (6) and
12 (7) as paragraphs (3) and (4), respectively, and

13 (C) in paragraph (4) as so redesignated,
14 by striking subparagraphs (B) and (C) and by
15 redesignating subparagraphs (D) and (E) as
16 subparagraphs (B) and (C), respectively.

17 (3) Section 41(f)(3) of such Code is amended—

18 (A)(i) by striking “, and the gross re-
19 ceipts” in subparagraph (A)(i) and all that fol-
20 lows through “determined under clause (iii)”,

21 (ii) by striking clause (iii) of subparagraph
22 (A) and redesignating clauses (iv), (v), and (vi),
23 thereof, as clauses (iii), (iv), and (v), respec-
24 tively,

1 (iii) by striking “and (iv)” each place it
 2 appears in subparagraph (A)(iv) (as so redesign-
 3 nated) and inserting “and (iii)”,

4 (iv) by striking subclause (IV) of subpara-
 5 graph (A)(iv) (as so redesignated), by striking
 6 “, and” at the end of subparagraph (A)(iv)(III)
 7 (as so redesignated) and inserting a period, and
 8 by adding “and” at the end of subparagraph
 9 (A)(iv)(II) (as so redesignated),

10 (v) by striking “(A)(vi)” in subparagraph
 11 (B) and inserting “(A)(v)”, and

12 (vi) by striking “(A)(iv)(II)” in subpara-
 13 graph (B)(i)(II) and inserting “(A)(iii)(II)”,

14 (B) by striking “, and the gross receipts of
 15 the predecessor,” in subparagraph (A)(iv)(II)
 16 (as so redesignated),

17 (C) by striking “, and the gross receipts
 18 of,” in subparagraph (B),

19 (D) by striking “, or gross receipts of,” in
 20 subparagraph (B)(i)(I), and

21 (E) by striking subparagraph (C).

22 (d) EFFECTIVE DATE.—

23 (1) IN GENERAL.—Except as provided in para-
 24 graph (2), the amendments made by this section

1 shall apply to taxable years beginning after Decem-
2 ber 31, 2013.

3 (2) SUBSECTION (b).—The amendment made
4 by subsection (b) shall apply to amounts paid or in-
5 curred after December 31, 2013.

6 **SEC. 3. PAYGO SCORECARD.**

7 (a) PAYGO SCORECARD.—The budgetary effects of
8 this Act shall not be entered on either PAYGO scorecard
9 maintained pursuant to section 4(d) of the Statutory Pay-
10 As-You-Go Act of 2010.

11 (b) SENATE PAYGO SCORECARD.—The budgetary ef-
12 fects of this Act shall not be entered on any PAYGO score-
13 card maintained for purposes of section 201 of S. Con.
14 Res. 21 (110th Congress).

Passed the House of Representatives May 9, 2014.

Attest:

KAREN L. HAAS,

Clerk.