

114TH CONGRESS
1ST SESSION

H. R. 880

IN THE SENATE OF THE UNITED STATES

MAY 21, 2015

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 2015”.

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

6 (a) IN GENERAL.—Section 41(a) of the Internal Rev-
7 enue Code of 1986 is amended to read as follows:

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

11 “(1) 20 percent of so much of the qualified re-
12 search expenses for the taxable year as exceeds 50
13 percent of the average qualified research expenses
14 for the 3 taxable years preceding the taxable year
15 for which the credit is being determined,

16 “(2) 20 percent of so much of the basic re-
17 search payments for the taxable year as exceeds 50
18 percent of the average basic research payments for
19 the 3 taxable years preceding the taxable year for
20 which the credit is being determined, plus

21 “(3) 20 percent of the amounts paid or in-
22 curred by the taxpayer in carrying on any trade or
23 business of the taxpayer during the taxable year (in-
24 cluding as contributions) to an energy research con-
25 sortium for energy research.”.

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

3 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
4 IMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.—
5 Section 38(c)(4)(B) of such Code is amended by redesignig-
6 nating clauses (ii) through (ix) as clauses (iii) through (x),
7 respectively, and by inserting after clause (i) the following
8 new clause:

9 “(ii) the credit determined under sec-
10 tion 41 for the taxable year with respect to
11 an eligible small business (as defined in
12 paragraph (5)(C), after application of rules
13 similar to the rules of paragraph (5)(D)),”.

14 (d) CONFORMING AMENDMENTS.—

15 (1) Section 41(c) of such Code is amended to
16 read as follows:

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

19 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED
20 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING
21 TAXABLE YEARS.—In any case in which the taxpayer
22 has no qualified research expenses in any one of the
23 3 taxable years preceding the taxable year for which
24 the credit is being determined, the amount deter-
25 mined under subsection (a)(1) for such taxable year

1 shall be equal to 10 percent of the qualified research
2 expenses for the taxable year.

3 “(2) CONSISTENT TREATMENT OF EX-
4 PENSES.—

5 “(A) IN GENERAL.—Notwithstanding
6 whether the period for filing a claim for credit
7 or refund has expired for any taxable year
8 taken into account in determining the average
9 qualified research expenses, or average basic re-
10 search payments, taken into account under sub-
11 section (a), the qualified research expenses and
12 basic research payments taken into account in
13 determining such averages shall be determined
14 on a basis consistent with the determination of
15 qualified research expenses and basic research
16 payments, respectively, for the credit year.

17 “(B) PREVENTION OF DISTORTIONS.—The
18 Secretary may prescribe regulations to prevent
19 distortions in calculating a taxpayer’s qualified
20 research expenses or basic research payments
21 caused by a change in accounting methods used
22 by such taxpayer between the current year and
23 a year taken into account in determining the
24 average qualified research expenses or average

1 basic research payments taken into account
2 under subsection (a).”.

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

4 (A) by striking all that precedes paragraph
5 (6) and inserting the following:

6 “(e) BASIC RESEARCH PAYMENTS.—For purposes of
7 this section—

8 “(1) IN GENERAL.—The term ‘basic research
9 payment’ means, with respect to any taxable year,
10 any amount paid in cash during such taxable year
11 by a corporation to any qualified organization for
12 basic research but only if—

13 “(A) such payment is pursuant to a writ-
14 ten agreement between such corporation and
15 such qualified organization, and

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

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

23 (B) by redesignating paragraphs (6) and
24 (7) as paragraphs (3) and (4), respectively, and

1 (C) in paragraph (4), as so redesignated,
2 by striking subparagraphs (B) and (C) and by
3 redesignating subparagraphs (D) and (E) as
4 subparagraphs (B) and (C), respectively.

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

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

9 (ii) by striking clause (iii) of subparagraph
10 (A) and redesignating clauses (iv), (v), and (vi),
11 thereof, as clauses (iii), (iv), and (v), respec-
12 tively,

13 (iii) by striking “and (iv)” each place it
14 appears in subparagraph (A)(iv) (as so redesign-
15 ated) and inserting “and (iii)”,

16 (iv) by striking subclause (IV) of subpara-
17 graph (A)(iv) (as so redesignated), by striking
18 “, and” at the end of subparagraph (A)(iv)(III)
19 (as so redesignated) and inserting a period, and
20 by adding “and” at the end of subparagraph
21 (A)(iv)(II) (as so redesignated),

22 (v) by striking “(A)(vi)” in subparagraph
23 (B) and inserting “(A)(v)”,

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

1 (B) by striking “, and the gross receipts of
2 the predecessor,” in subparagraph (A)(iv)(II)
3 (as so redesignated),

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

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

8 (E) by striking subparagraph (C) and in-
9 serting the following new subparagraph:

10 “(C) ADJUSTMENTS FOR BASIC RESEARCH
11 PAYMENTS.—In the case of basic research pay-
12 ments, rules similar to the rules of subpara-
13 graph (A) and (B) shall apply.”.

14 (4) Section 41(f)(4) of such Code is amended
15 by striking “and gross receipts” and inserting “and
16 basic research payments”.

17 (5) Section 45C(b)(1) of such Code is amended
18 by striking subparagraph (D).

19 (6) Section 45C(c)(2) of such Code is amend-
20 ed—

21 (A) by striking “base period research ex-
22 penses” and inserting “average qualified re-
23 search expenses”, and

1 (B) by striking “BASE PERIOD RESEARCH
2 EXPENSES” in the heading and inserting “AV-
3 ERAGE QUALIFIED RESEARCH EXPENSES”.

4 (7) Section 280C(c) of such Code is amended—

5 (A) by striking “basic research expenses
6 (as defined in section 41(e)(2))” in paragraph
7 (1) and inserting “basic research payments (as
8 defined in section 41(e)(1))”, and

9 (B) by striking “basic research expenses”
10 in paragraph (2)(B) and inserting “basic re-
11 search payments”.

12 (e) EFFECTIVE DATE.—

13 (1) IN GENERAL.—Except as provided in para-
14 graph (2), the amendments made by this section
15 shall apply to taxable years beginning after Decem-
16 ber 31, 2014.

17 (2) SUBSECTION (b).—The amendment made
18 by subsection (b) shall apply to amounts paid or in-
19 curred after December 31, 2014.

1 **SEC. 3. BUDGETARY EFFECTS.**

2 The budgetary effects of this Act shall not be entered
3 on either PAYGO scorecard maintained pursuant to sec-
4 tion 4(d) of the Statutory Pay-As-You-Go Act of 2010.

Passed the House of Representatives May 20, 2015.

Attest:

KAREN L. HAAS,

Clerk.