

116TH CONGRESS
1ST SESSION

S. 2207

To amend the Internal Revenue Code of 1986 to expand refundability and increase simplification of the research credit for certain small businesses.

IN THE SENATE OF THE UNITED STATES

JULY 23, 2019

Ms. HASSAN (for herself and Mr. TILLIS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand refundability and increase simplification of the research credit for certain small businesses.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Research and Develop-
5 ment Tax Credit Expansion Act of 2019”.

6 **SEC. 2. EXPANSION OF REFUNDABLE RESEARCH CREDIT**

7 **FOR NEW AND SMALL BUSINESSES.**

8 (a) DOUBLING CAP ON REFUNDABLE CREDIT.—

9 (1) IN GENERAL.—Clause (i) of section
10 41(h)(4)(B) of the Internal Revenue Code of 1986

1 is amended by striking “\$250,000” and inserting
2 “\$500,000”.

3 (2) ADJUSTMENT FOR INFLATION.—Paragraph
4 (4) of section 41(h) of such Code is amended—

5 (A) by redesignating subparagraph (C) as
6 subparagraph (D),

7 (B) by redesignating clause (ii) of subpara-
8 graph (B) as subparagraph (C), and by moving
9 such subparagraph 2 ems to the left,

10 (C) by striking “LIMITATIONS” in the
11 heading of subparagraph (B) and inserting
12 “LIMITATION ON AMOUNT OF ELECTION”,

13 (D) by striking “AMOUNT” in the heading
14 of clause (i) of subparagraph (B) and inserting
15 “IN GENERAL”, and

16 (E) by adding at the end of subparagraph
17 (B), as amended by the preceding subpara-
18 graphs of this paragraph, the following new
19 clause:

20 “(ii) ADJUSTMENT FOR INFLATION.—

21 In the case of a taxable year beginning
22 after 2020, the \$500,000 amount in clause
23 (i) shall be increased by an amount equal
24 to—

1 “(I) such dollar amount, multi-
2 plied by

3 “(II) the cost-of-living adjust-
4 ment determined under section 1(f)(3)
5 for the calendar year in which the tax-
6 able year begins, determined by sub-
7 stituting ‘2019’ for ‘2016’ in subpara-
8 graph (A)(ii) thereof.

9 If any increase under the preceding sen-
10 tence is not a multiple of \$100, such in-
11 crease shall be rounded to the nearest mul-
12 tiple of \$100.”.

13 (3) CONFORMING AMENDMENT.—Clause (ii) of
14 section 41(h)(5)(B) of such Code is amended by
15 striking “the \$250,000 amount” and inserting “the
16 amount in effect”.

17 (b) CREDIT REFUNDABLE AGAINST MEDICARE AND
18 UNEMPLOYMENT TAXES.—

19 (1) IN GENERAL.—Paragraph (1) of section
20 3111(f) of the Internal Revenue Code of 1986 is
21 amended by striking “subsection (a)” and inserting
22 “subsections (a) and (b) and section 3301”.

23 (2) CONFORMING AMENDMENTS.—

24 (A) Paragraph (2) of section 3111(f) of
25 such Code is amended by striking “the tax im-

1 posed by subsection (a)” and inserting “the
 2 sum of the taxes imposed by subsection (a),
 3 subsection (b), and section 3301”.

4 (B) Section 3302 of such Code is amended
 5 by adding at the end the following new sub-
 6 section:

7 “(i) CREDIT FOR RESEARCH EXPENDITURES OF
 8 QUALIFIED SMALL BUSINESSES.—Any portion of the
 9 credit under section 3111(f) which is credited under such
 10 section to the tax under section 3301 shall be treated as
 11 a credit under this section. Subsection (c) shall not apply
 12 to any such credit.”.

13 (c) DOUBLING ELIGIBILITY THRESHOLD.—Sub-
 14 clause (I) of section 41(h)(3)(A)(i) of the Internal Rev-
 15 enue Code of 1986 is amended by striking “\$5,000,000”
 16 and inserting “\$10,000,000”.

17 (d) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years beginning after
 19 December 31, 2019.

20 **SEC. 3. MODIFICATIONS TO ALTERNATIVE SIMPLIFIED**
 21 **CREDIT FOR NEW AND SMALL BUSINESSES.**

22 (a) IN GENERAL.—Paragraph (4) of section 41(c) of
 23 the Internal Revenue Code of 1986 is amended by adding
 24 at the end the following new subparagraph:

1 “(D) SPECIAL RULES FOR QUALIFIED
2 SMALL BUSINESSES.—In the case of a qualified
3 small business (as defined in subsection
4 (h)(3))—

5 “(i) CREDIT RATE.—Subparagraph
6 (A) shall be applied by substituting ‘20
7 percent’ for ‘14 percent’.

8 “(ii) SPECIAL RULE FOR 1ST YEAR OF
9 QUALIFIED RESEARCH EXPENSES.—If the
10 taxpayer has no qualified research ex-
11 penses in any taxable year preceding the
12 taxable year for which the credit is being
13 determined, subparagraph (B)(ii) shall be
14 applied by substituting ‘20 percent’ for ‘6
15 percent’.

16 “(iii) SPECIAL RULE FOR OTHER
17 YEARS.—If the taxpayer is not described in
18 clause (ii) for the taxable year, and sub-
19 paragraph (B) applies to such taxpayer for
20 such year, at the election of the taxpayer—

21 “(I) subparagraph (B)(ii) shall
22 be applied by substituting ‘10 percent’
23 for ‘6 percent’, or

24 “(II) subparagraph (B) shall not
25 apply, and the average under subpara-

1 graph (A) shall be determined by dis-
2 regarding any taxable year in the 3-
3 year period described in such subpara-
4 graph in which there were no qualified
5 research expenses.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to taxable years beginning after
8 December 31, 2019.

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