

SENATE BILL No. 1392

September 15, 2004, Introduced by Senator GEORGE and referred to the Committee on Appropriations.

A bill to amend 1975 PA 228, entitled "Single business tax act," by amending section 39f (MCL 208.39f), as added by 2002 PA 588.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 39f. (1) For tax years that begin after December 31,
2 ~~2002~~ 2006, an eligible taxpayer may claim a credit against the
3 tax imposed by this act equal to 6-1/2% of the excess of
4 qualified research expenses paid in the tax year that relate to
5 the eligible taxpayer's pharmaceutical based business activity in
6 this state over the average qualified research expenses that
7 relate to the eligible taxpayer's pharmaceutical based business
8 activity in this state paid during the 3 immediately preceding
9 tax years.

10 (2) The amount of a credit for any tax year under subsection

11 (1) shall not exceed 200% of the eligible taxpayer's average

1 qualified research expenses that relate to the taxpayer's
2 pharmaceutical based business activity in this state for the 3
3 immediately preceding tax years.

4 (3) If the credit allowed under this section for the tax year
5 and any unused carryforward of the credit allowed under this
6 section exceed the tax liability of the taxpayer for the tax
7 year, the excess shall not be refunded but may be carried forward
8 as an offset to the tax liability in subsequent tax years for 7
9 tax years or until the excess credit is used up, whichever occurs
10 first.

11 (4) A member of an affiliated group as defined in this act, a
12 controlled group of corporations as defined in section 1563 of
13 the internal revenue code and further described in 26 ~~C.F.R.~~
14 **CFR** 1.414(b)-1 and 1.414(c)-1 to 1.414(c)-5, or an entity under
15 common control as defined by the internal revenue code shall
16 determine the credit allowed under this section on a consolidated
17 basis.

18 (5) An eligible taxpayer may assign all or a portion of a
19 credit allowed under this section. A credit assignment under
20 this subsection is irrevocable and shall be made in the tax year
21 in which qualified research expenses are paid. An eligible
22 taxpayer may claim a portion of the credit and assign a portion
23 of the remaining credit amount. However, the eligible taxpayer
24 shall not assign in any tax year more than 40% of the total
25 amount of the credit allowed for that year. If the eligible
26 taxpayer both claims and assigns portions of the credit, the
27 eligible taxpayer shall claim the portion it claims in the tax

1 year in which the qualified research expenses are paid. An
2 assignee shall not subsequently assign a credit or any portion of
3 a credit assigned under this subsection. The credit assignment
4 under this subsection shall be made on a form prescribed by the
5 department. The eligible taxpayer shall send a copy of the
6 completed assignment form to the department in the tax year in
7 which the assignment is made. The assignee shall attach a copy
8 of the completed assignment form to its annual return required
9 under this act, for the tax year in which the assignment is made
10 and the assignee first claims a credit, which shall be the same
11 tax year.

12 (6) The total of all credits allowed under this section shall
13 not exceed \$10,000,000.00 for any 1 tax year.

14 (7) As used in this section:

15 (a) "Eligible taxpayer" means a company that meets all of the
16 following criteria within 18 months after the effective date of
17 the amendatory act that added this section:

18 (i) Is engaged primarily in manufacturing, research and
19 development, and sale of pharmaceuticals.

20 (ii) Has not less than 8,500 employees located in this
21 state. The primary places of employment for all the employees
22 required under this subparagraph shall be located within a
23 100-mile radius of each other.

24 (iii) Of the total number of employees located in this state,
25 has not less than 5,000 engaged primarily in research and
26 development of pharmaceuticals.

27 (b) "Qualified research expenses" means that term as defined

1 in section 41 of the internal revenue code.