

HOUSE BILL NO. 4124

February 25, 2025, Introduced by Reps. Wendzel, Greene, Steckloff, Bohnak, Woolford, Prestin, Wozniak, Andrews, BeGole, McFall, Schuette, Alexander, Thompson, Aragona, VanWoerkom, Bruck and Wooden and referred to Committee on Energy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.847) by adding sections 677a and 717a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 677a. (1) Except as otherwise provided under this
2 section, for tax years that begin on and after January 1, 2026, a
3 taxpayer may claim a credit against the tax imposed by this part
4 equal to 15% of the taxpayer's qualified research and development
5 expenses incurred during the tax year. A taxpayer that claims a
6 credit under this section is not prohibited from claiming a credit

1 under section 677. However, the taxpayer shall not claim a credit
2 under this section and section 677 based on the same qualified
3 research expenses.

4 (2) To be eligible for a credit under this section, a taxpayer
5 must submit, in a form and manner as prescribed by the department,
6 a tentative claim for which a credit under this section is sought
7 to the department on or before March 15 after the calendar year
8 ending with or within the tax year for which the taxpayer intends
9 to submit a claim for the credit on the taxpayer's annual return
10 required under this part. The tentative claim required under this
11 subsection must include, at a minimum, the amount of qualified
12 research and development expenses incurred for which a credit is
13 being claimed. The department shall review all tentative claims
14 submitted under this subsection and if the amount of tentative
15 claims submitted exceeds the amount of credits allowed under
16 subsection (3), the department shall publish a notice on its
17 website notifying taxpayers of the adjustment to the tentative
18 claims for that calendar year as required under subsection (3).

19 (3) The aggregate amount of credits allowed to be claimed by
20 all taxpayers under this section and all employers under section
21 717a based on qualified research and development expenses incurred
22 in a single calendar year must not exceed \$2,500,000.00. If the
23 aggregate amount of tentative claims submitted under this section
24 and section 717a exceeds \$2,500,000.00, the department shall
25 prorate the amount of the credits allowed for each claimant on an
26 equal basis.

27 (4) If the amount of the credit allowed under this section
28 exceeds the tax liability of the taxpayer for the tax year, that
29 portion of the credit that exceeds the tax liability of the

1 taxpayer for the tax year must not be refunded but may be carried
2 forward to offset tax liability under this act in subsequent tax
3 years for a period not to exceed 15 tax years or until used up,
4 whichever occurs first.

5 (5) As used in this section:

6 (a) "Advanced nuclear reactors" means that term as defined in
7 42 USC 16271.

8 (b) "Advanced nuclear reactor technologies" means that term as
9 defined in section 10h of 1939 PA 3, MCL 460.10h.

10 (c) "Qualified research and development expenses" means
11 qualified research expenses for research conducted in this state
12 related to the design, development, or improvement of advanced
13 nuclear reactor technologies and to accelerate the availability of
14 advanced nuclear reactors into domestic and international markets.
15 Qualified research and development expenses do not include
16 qualified research expenses for research conducted outside of this
17 state.

18 (d) "Qualified research expenses" means that term is defined
19 in section 41(b) of the internal revenue code.

20 Sec. 717a. (1) Except as otherwise provided under this
21 section, for tax years that begin on and after January 1, 2026, an
22 employer may claim a credit against the taxes required to be
23 withheld and remitted to this state under this chapter equal to 15%
24 of the employer's qualified research and development expenses
25 incurred during the tax year. An employer that claims a credit
26 under this section is not prohibited from claiming a credit under
27 section 717. However, the employer shall not claim a credit under
28 this section and section 717 based on the same qualified research
29 expenses.

(2) To be eligible for a credit under this section, an employer must submit, in a form and manner as prescribed by the department, a tentative claim for which a credit under this section is sought to the department on or before March 15 after the calendar year ending with or within the tax year for which the taxpayer intends to submit a claim for the credit. The tentative claim required under this subsection must include, at a minimum, the amount of qualified research and development expenses incurred for which a credit is being claimed. The department shall review all tentative claims submitted under this subsection and if the amount of tentative claims submitted exceeds the amount of credits allowed under subsection (3), the department shall publish a notice on its website notifying employers of the adjustment to the tentative claims for that calendar year as required under subsection (3).

(3) The aggregate amount of credits allowed to be claimed by all employers under this section and all taxpayers under section 677a based on qualified research and development expenses incurred in a single calendar year must not exceed \$2,500,000.00. If the aggregate amount of tentative claims submitted under this section and section 677a exceeds \$2,500,000.00, the department shall prorate the amount of the credits allowed for each claimant on an equal basis.

(4) If the amount of the credit allowed under this section exceeds the tax liability of the employer for the tax year, that portion of the credit that exceeds the tax liability of the employer for the tax year must not be refunded but may be carried forward to offset tax liability under this chapter in subsequent tax years for a period not to exceed 15 tax years or until used up,

1 whichever occurs first.

2 (5) As used in this section:

3 (a) "Advanced nuclear reactor" means that term as defined in
4 42 USC 16271.

5 (b) "Advanced nuclear reactor technologies" means that term as
6 defined in section 10h of 1939 PA 3, MCL 460.10h.

7 (c) "Qualified research and development expenses" means
8 qualified research expenses for research conducted in this state
9 related to the design, development, or improvement of advanced
10 nuclear reactor technologies and to accelerate the availability of
11 advanced nuclear reactors into domestic and international markets.
12 Qualified research and development expenses do not include
13 qualified research expenses for research conducted outside of this
14 state.

15 (d) "Qualified research expenses" means that term as defined
16 in section 41(b) of the internal revenue code.

17 Enacting section 1. This amendatory act does not take effect
18 unless all of the following bills of the 103rd Legislature are
19 enacted into law:

20 (a) House Bill No. 4127 (request no. H00155'25).

21 (b) House Bill No. 4129 (request no. H00156'25).

22 (c) House Bill No. 4125 (request no. H00157'25).

23 (d) House Bill No. 4126 (request no. H00158'25).

24 (e) House Bill No. 4128 (request no. H01460'25).