

**SUBSTITUTE FOR
HOUSE BILL NO. 5187**

A bill to provide definitions for certain research and development tax credits.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act may be cited as the "research and development
2 tax credit definitions act".

3 Sec. 3. As used in this act:

4 (a) "Authorized business" means the following:

5 (i) For purposes of a credit under section 717 of the income
6 tax act of 1967, a flow-through entity that is subject to the
7 withholding requirements under section 703(2) of the income tax act
8 of 1967, and that has increased its qualifying research and
9 development expenses.

10 (ii) For purposes of a credit under section 677 of the income



1 tax act of 1967, a taxpayer that has increased its qualifying
2 research and development expenses. As used in this subparagraph,
3 "taxpayer" means that term as defined under section 611 of the
4 income tax act of 1967.

5 (b) "Base amount" means the average annual amount of
6 qualifying research and development expenses during the 3 calendar
7 years immediately preceding the calendar year ending with or within
8 the tax year for which a credit is being claimed under section 677
9 or 717 of the income tax act of 1967. An authorized business with
10 no prior qualifying research and development expenses has a base
11 amount of zero. If qualifying research and development expenses
12 were incurred in only 1 or 2 of the immediately preceding 3
13 calendar years, the average annual amount must be based on the
14 number of calendar years during which qualifying research and
15 development expenses were incurred.

16 (c) "Flow-through entity" means that term as defined in
17 section 701 of the income tax act of 1967.

18 (d) "Income tax act of 1967" means the income tax act of 1967,
19 1967 PA 281, MCL 206.1 to 206.847.

20 (e) "Michigan strategic fund" means the Michigan strategic
21 fund created in section 5 of the Michigan strategic fund act, 1984
22 PA 270, MCL 125.2005.

23 (f) "Qualifying research and development expenses" means
24 qualified research expenses as that term is defined in section
25 41(b) of the internal revenue code of 1986, 26 USC 41, for research
26 conducted in this state. Qualifying research and development
27 expenses does not include qualified research expenses for research
28 conducted outside of this state.

29 (g) "Research university" means a public university described



1 in section 4, 5, or 6 of article VIII of the state constitution of
2 1963 or an independent nonprofit college or university in this
3 state.

