

104TH CONGRESS  
2D SESSION

# H. R. 2984

To amend the Internal Revenue Code of 1986 to extend the research credit, to allow an alternative incremental research credit, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 1996

Mr. FOX of Pennsylvania (for himself, Mr. BEREUTER, Mr. DORNAN, and Mr. ZIMMER) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to extend the research credit, to allow an alternative incremental research credit, and for other purposes.

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. EXTENSION AND MODIFICATION OF RESEARCH**  
4 **CREDIT.**

5 (a) EXTENSION.—Subsection (h) of section 41 of the  
6 Internal Revenue Code of 1986 (relating to credit for re-  
7 search activities) is amended—

8 (1) by striking “June 30, 1995” each place it  
9 appears and inserting “December 31, 1997”, and

1           (2) by striking “July 1, 1995” each place it ap-  
2           pears and inserting “January 1, 1998”.

3           (b) **BASE AMOUNT FOR START-UP COMPANIES.**—  
4           Clause (i) of section 41(c)(3)(B) of such Code (relating  
5           to start-up companies) is amended to read as follows:

6                           “(i) **TAXPAYERS TO WHICH SUBPARA-**  
7                           **GRAPH APPLIES.**—The fixed-base percent-  
8                           age shall be determined under this sub-  
9                           paragraph if—

10                                   “(I) the first taxable year in  
11                                   which a taxpayer had both gross re-  
12                                   ceipts and qualified research expenses  
13                                   begins after December 31, 1983, or

14   “(II) there are fewer than 3 tax-  
15                                   able years beginning after December  
16                                   31, 1983, and before January 1,  
17                                   1989, in which the taxpayer had both  
18                                   gross receipts and qualified research  
19                                   expenses.”.

20           (c) **ELECTION OF ALTERNATIVE INCREMENTAL**  
21 **CREDIT.**—Subsection (c) of section 41 of such Code is  
22 amended by redesignating paragraphs (4) and (5) as para-  
23 graphs (5) and (6), respectively, and by inserting after  
24 paragraph (3) the following new paragraph:

1           “(4) ELECTION OF ALTERNATIVE INCREMEN-  
2           TAL CREDIT.—

3           “(A) IN GENERAL.—At the election of the  
4           taxpayer, the credit determined under sub-  
5           section (a)(1) shall be equal to the sum of—

6                   “(i) 1.65 percent of so much of the  
7                   qualified research expenses for the taxable  
8                   year as exceeds 1 percent of the average  
9                   described in subsection (c)(1)(B) but does  
10                  not exceed 1.5 percent of such average,

11                   “(ii) 2.2 percent of so much of such  
12                   expenses as exceeds 1.5 percent of such av-  
13                   erage but does not exceed 2 percent of  
14                   such average, and

15                   “(iii) 2.75 percent of so much of such  
16                   expenses as exceeds 2 percent of such aver-  
17                   age.

18           “(B) ELECTION.—An election under this  
19           paragraph may be made only for the first tax-  
20           able year of the taxpayer beginning after June  
21           30, 1995. Such an election shall apply to the  
22           taxable year for which made and all succeeding  
23           taxable years unless revoked with the consent of  
24           the Secretary.”

1 (d) INCREASED CREDIT FOR CONTRACT RESEARCH  
2 EXPENSES WITH RESPECT TO CERTAIN RESEARCH CON-  
3 SORTIA.—Paragraph (3) of section 41(b) of such Code is  
4 amended by adding at the end the following new subpara-  
5 graph:

6 “(C) AMOUNTS PAID TO CERTAIN RE-  
7 SEARCH CONSORTIA.—

8 “(i) IN GENERAL.—Subparagraph (A)  
9 shall be applied by substituting ‘80 per-  
10 cent’ for ‘65 percent’ with respect to  
11 amounts paid or incurred by the taxpayer  
12 to a qualified research consortium for  
13 qualified research.

14 “(ii) QUALIFIED RESEARCH CONSOR-  
15 TIUM.—The term ‘qualified research con-  
16 sortium’ means any organization described  
17 in subsection (e)(6)(B) if—

18 “(I) at least 15 unrelated tax-  
19 payers paid (during the calendar year  
20 in which the taxable year of the tax-  
21 payer begins) amounts to such organi-  
22 zation for qualified research,

23 “(II) no 3 persons paid during  
24 such calendar year more than 50 per-  
25 cent of the total amounts paid during

1                   such calendar year for qualified re-  
2                   search, and

3                   “(III) no person contributed  
4                   more than 20 percent of such total  
5                   amounts.

6                   For purposes of subclause (I), all persons  
7                   treated as a single employer under sub-  
8                   section (a) or (b) of section 52 shall be  
9                   treated as related taxpayers.”

10           (e) CONFORMING AMENDMENT.—Subparagraph (D)  
11 of section 28(b)(1) of such Code is amended by striking  
12 “June 30, 1995” and inserting “December 31, 1997”.

13           (f) EFFECTIVE DATE.—

14               (1) IN GENERAL.—Except as provided in para-  
15               graph (2), the amendments made by this section  
16               shall apply to taxable years ending after June 30,  
17               1995.

18               (2) SUBSECTIONS (c) AND (d).—The amend-  
19               ments made by subsections (c) and (d) shall apply  
20               to taxable years beginning after June 30, 1995.

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