

106TH CONGRESS
2D SESSION

H. R. 5012

To amend the Internal Revenue Code of 1986 to provide an enhanced research credit for the development of smart gun technologies.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2000

Mr. BARR of Georgia introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide an enhanced research credit for the development of smart gun technologies.

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 “Firearms Safety Re-
5 search and Development Act of 2000”.

6 **SEC. 2. ENHANCED RESEARCH CREDIT FOR DEVELOPMENT**
7 **OF SMART GUN TECHNOLOGIES.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business related credits) is amended by
2 inserting after section 45C the following new section:

3 **“SEC. 45D. RESEARCH EXPENSES FOR SMART GUN TECH-**
4 **NOLOGIES.**

5 “(a) GENERAL RULE.—For purposes of section 38,
6 in the case of a taxpayer who is a Federal firearms li-
7 censee, the smart gun technology credit determined under
8 this section for the taxable year is an amount equal to
9 30 percent of the excess of—

10 “(1) the smart gun technology expenses for the
11 taxable year, over

12 “(2) the base amount.

13 “(b) SMART GUN TECHNOLOGY EXPENSES; BASE
14 AMOUNT.—For purposes of this section—

15 “(1) SMART GUN TECHNOLOGY EXPENSES.—

16 “(A) IN GENERAL.—Except as otherwise
17 provided in this paragraph, the term ‘smart gun
18 technology expenses’ means the amounts which
19 are paid or incurred by the taxpayer during the
20 taxable year which would be described in sub-
21 section (b) of section 41 if such subsection were
22 applied with the modifications set forth in sub-
23 paragraph (B).

1 “(B) MODIFICATIONS.—For purposes of
2 subparagraph (A), subsection (b) of section 41
3 shall be applied—

4 “(i) by substituting ‘smart gun tech-
5 nology research’ for ‘qualified research’
6 each place it appears in paragraphs (2)
7 and (3) of such subsection, and

8 “(ii) by substituting ‘100 percent’ for
9 ‘65 percent’ in paragraph (3)(A) of such
10 subsection.

11 “(C) EXCLUSION FOR AMOUNTS FUNDED
12 BY GRANTS, ETC.—The term ‘smart gun tech-
13 nology expenses’ shall not include any amount
14 to the extent such amount is funded by any
15 grant, contract, or otherwise by another person
16 (or any governmental entity).

17 “(D) SPECIAL RULE.—For purposes of
18 this paragraph, section 41 shall be deemed to
19 remain in effect for periods after June 30,
20 2004.

21 “(2) BASE AMOUNT.—

22 “(A) IN GENERAL.—Except as provided in
23 subparagraph (B), the term ‘base amount’
24 means the amount which would be the base
25 amount in section 41(c) if such section were ap-

1 plied by substituting ‘smart gun technology re-
2 search’ for ‘qualified research’ each place it ap-
3 pears.

4 “(B) BASE AMOUNT IS ZERO FOR 3
5 YEARS.—The base amount shall be zero for
6 purposes of determining the amount of credit
7 for taxable years beginning in 2001, 2002, or
8 2003.

9 “(c) SMART GUN TECHNOLOGY RESEARCH.—For
10 purposes of this section—

11 “(1) IN GENERAL.—The term ‘smart gun tech-
12 nology research’ means qualified research (as de-
13 fined in section 41(d)) for the purpose of developing
14 smart gun technologies for firearms.

15 “(2) SMART GUN TECHNOLOGY.—The term
16 ‘smart gun technology’ means any technology (other
17 than a simple mechanical lock) which is designed—

18 “(A) to prevent a firearm from being fired
19 by any individual other than an authorized user
20 of the firearm, and

21 “(B) to convert the firearm from the inop-
22 erable condition to the operable condition in
23 less than 1 second after contact with either the
24 firearm or the arming device of an authorized
25 user.

1 For purposes of the preceding sentence, the term
2 ‘authorized user’ means, with respect to a firearm,
3 the owner of the firearm and any individual lawfully
4 authorized by such owner to operate the firearm.

5 “(d) FEDERAL FIREARMS LICENSEE.—For purposes
6 of this section, the term ‘Federal firearms licensee’ means
7 any person holding a license under chapter 44 of title 18,
8 United States Code, other than a licensed collector.

9 “(e) COORDINATION WITH CREDIT FOR INCREASING
10 RESEARCH EXPENDITURES.—

11 “(1) IN GENERAL.—Except as provided in para-
12 graph (2), any smart gun technology expenses for a
13 taxable year to which an election under this section
14 applies shall not be taken into account for purposes
15 of determining the credit allowable under section 41
16 for such taxable year.

17 “(2) EXPENSES INCLUDED IN DETERMINING
18 BASE PERIOD RESEARCH EXPENSES.—Smart gun
19 technology expenses for any taxable year shall be
20 taken into account in determining base period re-
21 search expenses for purposes of applying section 41
22 to subsequent taxable years.

23 “(f) SPECIAL RULES.—

24 “(1) CERTAIN RULES MADE APPLICABLE.—
25 Rules similar to the rules of paragraphs (1) and (2)

1 of section 41(f) shall apply for purposes of this sec-
2 tion.

3 “(2) ELECTION.—This section shall apply to
4 any taxpayer for any taxable year only if such tax-
5 payer elects (at such time and in such manner as
6 the Secretary may by regulations prescribe) to have
7 this section apply for such taxable year.”

8 (b) DENIAL OF DOUBLE BENEFIT.—Section 280C of
9 such Code (relating to certain expenses for which credits
10 are allowable) is amended by adding at the end the fol-
11 lowing new subsection:

12 “(d) CREDIT FOR SMART GUN TECHNOLOGY EX-
13 PENSES.—

14 “(1) IN GENERAL.—No deduction shall be al-
15 lowed for that portion of the smart gun technology
16 expenses (as defined in section 45D(b)) otherwise al-
17 lowable as a deduction for the taxable year which is
18 equal to the amount of the credit allowable for the
19 taxable year under section 45D (determined without
20 regard to section 38(c) thereof).

21 “(2) SIMILAR RULE WHERE TAXPAYER CAP-
22 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

23 “(A) the amount of the credit allowable for
24 the taxable year under section 45D (determined
25 without regard to section 38(c)), exceeds

1 “(B) the amount allowable as a deduction
2 for the taxable year for smart gun technology
3 expenses (determined without regard to para-
4 graph (1)),
5 the amount chargeable to capital account for the
6 taxable year for such expenses shall be reduced by
7 the amount of such excess.

8 “(3) CONTROLLED GROUPS.—In the case of a
9 corporation which is a member of a controlled group
10 of corporations (within the meaning of section
11 41(f)(5)) or a trade or business which is treated as
12 being under common control with other trades or
13 business (within the meaning of section
14 41(f)(1)(B)), this subsection shall be applied under
15 rules prescribed by the Secretary similar to the rules
16 applicable under subparagraphs (A) and (B) of sec-
17 tion 41(f)(1).”.

18 (c) CREDIT MADE PART OF GENERAL BUSINESS
19 CREDIT.—

20 (1) IN GENERAL.—Subsection (b) of section 38
21 of such Code (relating to current year business cred-
22 it) is amended by striking “plus” at the end of para-
23 graph (11), by striking the period at the end of
24 paragraph (12) and inserting “, plus”, and by add-
25 ing at the end thereof the following new paragraph:

1 “(13) in the case of a taxpayer who is a Fed-
2 eral firearms licensee (as defined in section 45D(d)),
3 the smart gun technology credit determined under
4 section 45D(a).”.

5 (2) LIMITATION ON CARRYBACK.—Subsection
6 (d) of section 39 of such Code is amended by adding
7 at the end the following new paragraph:

8 “(9) NO CARRYBACK OF SMART GUN TECH-
9 NOLOGY CREDIT BEFORE EFFECTIVE DATE.—No
10 portion of the unused business credit for any taxable
11 year which is attributable to the credit determined
12 under section 45D may be carried back to any tax-
13 able year ending before the date of the enactment of
14 section 45D.”.

15 (3) DEDUCTION FOR CERTAIN UNUSED BUSI-
16 NESS CREDITS.—Subsection (c) of section 196 of
17 such Code is amended by striking “and” at the end
18 of paragraph (7), by striking the period at the end
19 of paragraph (8) and inserting “, and”, and by add-
20 ing after paragraph (8) the following new para-
21 graph:

22 “(9) the smart gun technology credit deter-
23 mined under section 45D.”.

24 (d) CLERICAL AMENDMENT.—The table of sections
25 for subpart D of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 45C the following new item:

“Sec. 45D. Research expenses for smart gun technologies.”.

3 (e) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to amounts paid or incurred after
5 December 31, 2000, in taxable years ending after such
6 date.

7 **SEC. 3. FIREARMS TAX NOT TO APPLY TO COST OF SMART**
8 **GUN TECHNOLOGY.**

9 (a) **IN GENERAL.**—Section 4181 of the Internal Rev-
10 enue Code of 1986 (relating to imposition of tax on fire-
11 arms) is amended by adding at the end the following new
12 sentence:

13 “The price taken into account under the preceding sen-
14 tence shall not include so much of the price of the firearm
15 as is attributable to any smart gun technology (as defined
16 in section 45D(c)(2)) of such firearm.”

17 (b) **EFFECTIVE DATE.**—The amendment made by
18 this section shall take effect on January 1, 2001.

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