

106TH CONGRESS
1ST SESSION

S. 1425

To amend the Internal Revenue Code of 1986 to provide a 10 percent biotechnology investment tax credit and to reauthorize the Research and Development tax credit for ten years.

IN THE SENATE OF THE UNITED STATES

JULY 22, 1999

Mr. SPECTER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide a 10 percent biotechnology investment tax credit and to reauthorize the Research and Development tax credit for ten years.

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 “Biotechnology Tax
5 Credit Act of 1999”.

1 **SEC. 2. TEN YEAR EXTENSION OF THE RESEARCH AND DE-**
2 **VELOPMENT TAX CREDIT.**

3 (a) IN GENERAL.—Section 41 of the Internal Rev-
4 enue Code of 1986 (relating to credit for increasing re-
5 search activities) is amended by striking subsection (h)
6 and in its place, insert the following new section:

7 “(h) IN GENERAL.—This section shall not apply to
8 any amount paid or incurred after June 30, 2009.”

9 (b) CONFORMING AMENDMENT.—Paragraph (1) of
10 section 45C(b) of such Code is amended by striking sub-
11 paragraph (D).

12 **SEC. 3. BIOTECHNOLOGY INVESTMENT TAX CREDIT.**

13 (a) ALLOWANCE OF CREDIT.—Section 46(a) of the
14 Internal Revenue Code of 1986 (relating to amount of in-
15 vestment credit) is amended by striking “and” at the end
16 of paragraph (2), by striking the period at the end of para-
17 graph (3) and inserting “, and”, and by adding at the
18 end thereof the following new paragraph:

19 “(4) the biotechnology investment credit.”

20 (b) AMOUNT OF CREDIT.—Section 48 of such Code
21 is amended by adding at the end thereof the following new
22 subsection:

23 “(c) BIOTECHNOLOGY INVESTMENT CREDIT.—

24 “(1) IN GENERAL.—For purposes of section 46,
25 the biotechnology investment credit for any taxable

1 year is an amount equal to 10 percent of the quali-
2 fied investment for such taxable year.

3 “(2) QUALIFIED INVESTMENT.—

4 “(A) IN GENERAL.—For purposes of para-
5 graph (1), the qualified investment for any tax-
6 able year is the aggregate of—

7 “(i) the applicable percentage of the
8 basis of each new biotechnology property
9 placed in service by the taxpayer during
10 such taxable year; plus

11 “(ii) the applicable percentage of the
12 cost of each used biotechnology property
13 placed in service by the taxpayer during
14 such taxable year.

15 “(B) APPLICABLE PERCENTAGE.—For
16 purposes of subparagraph (A), the applicable
17 percentage for any property shall be determined
18 under paragraphs (2) and (7) of section 46(c)
19 (as in effect on the day before the date of the
20 enactment of the Revenue Reconciliation Act of
21 1990).

22 “(C) CERTAIN RULES MADE APPLICA-
23 BLE.—The provisions of subsections (b) and (c)
24 of section 48 (as in effect on the day before the
25 date of the enactment of the Revenue Reconcili-

1 ation Act of 1990) shall apply for purposes of
2 this paragraph.

3 “(3) DEFINITIONS.—For purposes of this sec-
4 tion:

5 “(A) ‘Biotechnology Property’ means cap-
6 ital equipment, instruments and supplies used
7 in a laboratory setting by a biotechnology com-
8 pany. These items would include but would not
9 be limited to microscopes, various laboratory
10 machines, glassware, chemical reagents, and
11 technical books and manuals purchased by a
12 manufacturer for research purposes. Also in-
13 cluded are computers and software used pri-
14 marily to develop data for research and develop-
15 ment.

16 “(B) ‘Biotechnology Company’ is an orga-
17 nization that deals with the application of tech-
18 nologies, such as recombinant DNA techniques,
19 biochemistry, molecular and cellular biology, ge-
20 netics and genetic engineering, biological cell
21 fusion techniques, and new bioprocesses, using
22 living organisms, or parts of organisms, to
23 produce or modify products, to develop micro-
24 organisms for specific uses, to identify targets
25 for small molecule pharmaceutical development,

1 to transform biological systems into useful proc-
2 esses and products or to develop microorga-
3 nisms for specific uses. Potential endpoints for
4 these products, developments and uses shall be
5 for societal benefit through improving human
6 healthcare.

7 “(4) COORDINATION WITH OTHER CREDITS.—
8 This subsection shall not apply to any property to
9 which the energy credit or rehabilitation credit
10 would apply unless the taxpayer elects to waive the
11 application of such credits to such property.

12 “(5) CERTAIN PROGRESS EXPENDITURE RULES
13 MADE APPLICABLE.—Rules similar to rules of sub-
14 section (c)(4) and (d) of section 46 (as in effect on
15 the day before the date of the enactment of the Rev-
16 enue Reconciliation Act of 1990) shall apply for pur-
17 poses of this subsection.”

18 (c) TECHNICAL AMENDMENTS.—

19 (1) Subparagraph (C) of section 49(a)(1) of
20 such Code is amended by striking “and” at the end
21 of clause (ii), by striking the period at the end of
22 clause (iii) and inserting “, and”, and by adding at
23 the end thereof the following new clause:

1 “(iv) the basis of any new bio-
2 technology property and the cost of any
3 used biotechnology property.”

4 (2) Subparagraph (E) of section 50(a)(2) of
5 such Code is amended by striking “section
6 48(a)(5)(A)” and inserting “section 48(a)(5) or
7 48(c)(5)”.

8 (3) Paragraph (5) of section 50(a) of such Code
9 is amended by adding at the end thereof the fol-
10 lowing new subparagraph:

11 “(D) SPECIAL RULES FOR CERTAIN PROP-
12 PERTY.—In the case of any biotechnology prop-
13 erty which is 3-year property (within the mean-
14 ing of section 168(e))—

15 “(i) the percentage set forth in clause
16 (ii) of the table contained in paragraph
17 (1)(B) shall be 66 percent;

18 “(ii) the percentage set forth in clause
19 (iii) of such table shall be 33 percent; and

20 “(iii) clauses (iv) and (v) of such table
21 shall not apply.”

22 (4)(A) The section heading for section 48 of
23 such Code is amended to read as follows:

1 **“SEC. 48. OTHER CREDITS.”**

2 (B) The table of sections for subpart E of part
3 IV of subchapter A of chapter 1 of such Code is
4 amended by striking the item relating to section 48
5 and inserting the following:

“Sec. 48. Other Credits.”

6 **SEC. 4. EFFECTIVE DATE.**

7 The amendments made by this bill shall apply to
8 amounts paid or incurred after June 30, 1999.

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