

# Union Calendar No. 79

114TH CONGRESS  
1ST SESSION

# H. R. 880

[Report No. 114–113]

To amend the Internal Revenue Code of 1986 to simplify and make permanent the research credit.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2015

Mr. BRADY of Texas (for himself, Mr. LARSON of Connecticut, Mr. SAM JOHNSON of Texas, Mr. SCHOCK, Mr. McCAUL, and Mr. NEAL) introduced the following bill; which was referred to the Committee on Ways and Means

MAY 14, 2015

Additional sponsors: Mr. MARCHANT, Mr. YOUNG of Indiana, Mr. REED, Mrs. COMSTOCK, Mr. BLUM, Mr. PAULSEN, Mrs. MIMI WALTERS of California, Ms. SINEMA, Mr. POLIQUIN, Mr. COSTELLO of Pennsylvania, Mr. ROUZER, Mr. JONES, Mr. ABRAHAM, Mr. GROTHMAN, Mr. TROTT, Mr. MOONEY of West Virginia, Mr. CURBELO of Florida, Mr. EMMER of Minnesota, Mr. MACARTHUR, Mr. KNIGHT, Mr. DOLD, Mrs. WAGNER, Mr. CARTER of Georgia, Mr. NUNES, Mr. TIBERI, Mr. VALADAO, and Mr. SMITH of Missouri

MAY 14, 2015

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on February 11, 2015]

# **A BILL**

To amend the Internal Revenue Code of 1986 to simplify  
and make permanent the research credit.

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 “American Research and*  
5 *Competitiveness Act of 2015”.*

6 **SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-**  
7 **NENT.**

8        *(a) IN GENERAL.—Section 41(a) of the Internal Rev-*  
9 *enue Code of 1986 is amended to read as follows:*

10        *“(a) IN GENERAL.—For purposes of section 38, the re-*  
11 *search credit determined under this section for the taxable*  
12 *year shall be an amount equal to the sum of—*

13            *“(1) 20 percent of so much of the qualified re-*  
14 *search expenses for the taxable year as exceeds 50 per-*  
15 *cent of the average qualified research expenses for the*  
16 *3 taxable years preceding the taxable year for which*  
17 *the credit is being determined,*

18            *“(2) 20 percent of so much of the basic research*  
19 *payments for the taxable year as exceeds 50 percent*  
20 *of the average basic research payments for the 3 tax-*  
21 *able years preceding the taxable year for which the*  
22 *credit is being determined, plus*

23            *“(3) 20 percent of the amounts paid or incurred*  
24 *by the taxpayer in carrying on any trade or business*  
25 *of the taxpayer during the taxable year (including as*

1       contributions) to an energy research consortium for  
2       energy research.”.

3       **(b) REPEAL OF TERMINATION.**—Section 41 of such  
4       Code is amended by striking subsection (h).

5       **(c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-**  
6       **IMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.**—Sec-  
7       tion 38(c)(4)(B) of such Code is amended by redesignating  
8       clauses (ii) through (ix) as clauses (iii) through (x), respec-  
9       tively, and by inserting after clause (i) the following new  
10      clause:

11                               “(ii) the credit determined under sec-  
12                               tion 41 for the taxable year with respect to  
13                               an eligible small business (as defined in  
14                               paragraph (5)(C), after application of rules  
15                               similar to the rules of paragraph (5)(D)),”.

16      **(d) CONFORMING AMENDMENTS.**—

17               (1) Section 41(c) of such Code is amended to  
18      read as follows:

19               **“(c) DETERMINATION OF AVERAGE RESEARCH EX-**  
20      **PENSES FOR PRIOR YEARS.**—

21                       “(1) **SPECIAL RULE IN CASE OF NO QUALIFIED**  
22                       **RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING**  
23                       **TAXABLE YEARS.**—In any case in which the taxpayer  
24                       has no qualified research expenses in any one of the  
25                       3 taxable years preceding the taxable year for which

1        *the credit is being determined, the amount determined*  
2        *under subsection (a)(1) for such taxable year shall be*  
3        *equal to 10 percent of the qualified research expenses*  
4        *for the taxable year.*

5            *“(2) CONSISTENT TREATMENT OF EXPENSES.—*

6                    *“(A) IN GENERAL.—Notwithstanding wheth-*  
7                    *er the period for filing a claim for credit or re-*  
8                    *fund has expired for any taxable year taken into*  
9                    *account in determining the average qualified re-*  
10                   *search expenses, or average basic research pay-*  
11                   *ments, taken into account under subsection (a),*  
12                   *the qualified research expenses and basic research*  
13                   *payments taken into account in determining*  
14                   *such averages shall be determined on a basis con-*  
15                   *sistent with the determination of qualified re-*  
16                   *search expenses and basic research payments, re-*  
17                   *spectively, for the credit year.*

18                   *“(B) PREVENTION OF DISTORTIONS.—The*  
19                   *Secretary may prescribe regulations to prevent*  
20                   *distortions in calculating a taxpayer’s qualified*  
21                   *research expenses or basic research payments*  
22                   *caused by a change in accounting methods used*  
23                   *by such taxpayer between the current year and*  
24                   *a year taken into account in determining the av-*  
25                   *erage qualified research expenses or average basic*

1           *research payments taken into account under sub-*  
2           *section (a).”.*

3           *(2) Section 41(e) of such Code is amended—*

4                     *(A) by striking all that precedes paragraph*  
5                     *(6) and inserting the following:*

6           *“(e) BASIC RESEARCH PAYMENTS.—For purposes of*  
7           *this section—*

8                     *“(1) IN GENERAL.—The term ‘basic research*  
9                     *payment’ means, with respect to any taxable year,*  
10                    *any amount paid in cash during such taxable year*  
11                    *by a corporation to any qualified organization for*  
12                    *basic research but only if—*

13                             *“(A) such payment is pursuant to a written*  
14                             *agreement between such corporation and such*  
15                             *qualified organization, and*

16                             *“(B) such basic research is to be performed*  
17                             *by such qualified organization.*

18                     *“(2) EXCEPTION TO REQUIREMENT THAT RE-*  
19                     *SEARCH BE PERFORMED BY THE ORGANIZATION.—In*  
20                     *the case of a qualified organization described in sub-*  
21                     *paragraph (C) or (D) of paragraph (3), subpara-*  
22                     *graph (B) of paragraph (1) shall not apply.”,*

23                             *(B) by redesignating paragraphs (6) and*  
24                             *(7) as paragraphs (3) and (4), respectively, and*

1           (C) in paragraph (4), as so redesignated, by  
2 striking subparagraphs (B) and (C) and by re-  
3 designating subparagraphs (D) and (E) as sub-  
4 subparagraphs (B) and (C), respectively.

5           (3) Section 41(f)(3) of such Code is amended—

6           (A)(i) by striking “, and the gross receipts”  
7 in subparagraph (A)(i) and all that follows  
8 through “determined under clause (iii)”,

9           (ii) by striking clause (iii) of subparagraph  
10 (A) and redesignating clauses (iv), (v), and (vi),  
11 thereof, as clauses (iii), (iv), and (v), respec-  
12 tively,

13           (iii) by striking “and (iv)” each place it  
14 appears in subparagraph (A)(iv) (as so redesign-  
15 ated) and inserting “and (iii)”,

16           (iv) by striking subclause (IV) of subpara-  
17 graph (A)(iv) (as so redesignated), by striking “,  
18 and” at the end of subparagraph (A)(iv)(III) (as  
19 so redesignated) and inserting a period, and by  
20 adding “and” at the end of subparagraph  
21 (A)(iv)(II) (as so redesignated),

22           (v) by striking “(A)(vi)” in subparagraph  
23 (B) and inserting “(A)(v)”,

24           (vi) by striking “(A)(iv)(II)” in subpara-  
25 graph (B)(i)(II) and inserting “(A)(iii)(II)”,

1           (B) by striking “, and the gross receipts of  
2           the predecessor,” in subparagraph (A)(iv)(II) (as  
3           so redesignated),

4           (C) by striking “, and the gross receipts of,”  
5           in subparagraph (B),

6           (D) by striking “, or gross receipts of,” in  
7           subparagraph (B)(i)(I), and

8           (E) by striking subparagraph (C) and in-  
9           serting the following new subparagraph:

10           “(C) *ADJUSTMENTS FOR BASIC RESEARCH*  
11           *PAYMENTS.—In the case of basic research pay-*  
12           *ments, rules similar to the rules of subparagraph*  
13           *(A) and (B) shall apply.”.*

14           (4) Section 41(f)(4) of such Code is amended by  
15           striking “and gross receipts” and inserting “and  
16           basic research payments”.

17           (5) Section 45C(b)(1) of such Code is amended  
18           by striking subparagraph (D).

19           (6) Section 45C(c)(2) of such Code is amended—

20           (A) by striking “base period research ex-  
21           penses” and inserting “average qualified re-  
22           search expenses”, and

23           (B) by striking “*BASE PERIOD RESEARCH*  
24           *EXPENSES*” in the heading and inserting “*AVER-*  
25           *AGE QUALIFIED RESEARCH EXPENSES*”.



1           (7) *Section 280C(c) of such Code is amended—*

2                   (A) *by striking “basic research expenses (as*  
3 *defined in section 41(e)(2))” in paragraph (1)*  
4 *and inserting “basic research payments (as de-*  
5 *defined in section 41(e)(1))”, and*

6                   (B) *by striking “basic research expenses” in*  
7 *paragraph (2)(B) and inserting “basic research*  
8 *payments”.*

9           (e) *EFFECTIVE DATE.—*

10                   (1) *IN GENERAL.—Except as provided in para-*  
11 *graph (2), the amendments made by this section shall*  
12 *apply to taxable years beginning after December 31,*  
13 *2014.*

14                   (2) *SUBSECTION (b).—The amendment made by*  
15 *subsection (b) shall apply to amounts paid or in-*  
16 *curring after December 31, 2014.*

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114<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

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