

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1880 Session of
2005

INTRODUCED BY T. STEVENSON, ALLEN, ARMSTRONG, BALDWIN,
CALTAGIRONE, CAPPELLI, CREIGHTON, DeLUCA, DENLINGER, FRANKEL,
HENNESSEY, HERSHEY, HUTCHINSON, MANN, MARKOSEK, McILHATTAN,
McNAUGHTON, MYERS, NICKOL, O'NEILL, PAYNE, PETRARCA,
READSHAW, REED, REICHLEY, ROSS, SAYLOR, SCHRODER,
E. Z. TAYLOR, TIGUE, TURZAI, WALKO, WATSON, WILT, GEIST AND
HARPER, JULY 6, 2005

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
JUNE 14, 2006

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," further providing, in research and development
11 tax credit, for the definition of "small business," for
12 credit for research and development expenses, for the TIME
13 limitations, for limitation on credits and for termination. <—

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. The definition of "small business" in section
17 1702-B of the act of March 4, 1971 (P.L.6, No.2), known as the
18 Tax Reform Code of 1971, added May 7, 1997 (P.L.85, No.7), is
19 amended to read:

20 Section 1702-B. Definitions.--The following words and

1 phrases, when used in this article, shall have the meanings
2 given to them in this section, except where the context clearly
3 indicates a different meaning:

4 * * *

5 "Small business." A for-profit corporation, limited
6 liability company, partnership or proprietorship with net book
7 value of assets totaling, at the beginning or end of the taxable
8 year for which Pennsylvania qualified research and development
9 expense is incurred, as reported on the balance sheet, less than
10 [five million dollars (\$5,000,000)] ten million dollars
11 (\$10,000,000).

12 * * *

13 Section 2. Section 1703-B of the act, added May 7, 1997
14 (P.L.85, No.7), is amended to read:

15 Section 1703-B. Credit for Research and Development
16 Expenses.--(a) A taxpayer who incurs Pennsylvania qualified
17 research and development expense in a taxable year may apply for
18 a research and development tax credit as provided in this
19 article. By September 15, a taxpayer must submit an application
20 to the department for Pennsylvania qualified research and
21 development expense incurred in the taxable year that ended in
22 the prior calendar year.

23 (b) A taxpayer that is qualified under subsection (a) shall
24 receive a research and development tax credit for the taxable
25 year in the amount of [ten] twenty per cent of the excess of the
26 taxpayer's total Pennsylvania qualified research and development
27 expense for the taxable year over the taxpayer's Pennsylvania
28 base amount.

29 (c) By December 15 of the calendar year following the close
30 of the taxable year during which the Pennsylvania qualified

1 research and development expense was incurred, the department
2 shall notify the taxpayer of the amount of the taxpayer's
3 research and development tax credit approved by the department.

4 Section 3. Section 1707-B of the act, amended June 29, 2002
5 (P.L.559, No.89), is amended to read:

6 Section 1707-B. Time Limitations.--A taxpayer is not
7 entitled to a research and development tax credit for
8 Pennsylvania qualified research and development expenses
9 incurred in taxable years ending after December 31, [2006] 2010.

10 The termination date in section 41(h) of the Internal Revenue
11 Code of 1986 (Public Law 99-514, 26 U.S.C. § 41(h)) does not
12 apply to a taxpayer who is eligible for the research and
13 development tax credit under this article for the taxable year
14 in which the Pennsylvania qualified research and development
15 expense is incurred.

16 Section 4. Section 1709-B(a) of the act, amended December
17 23, 2003 (P.L.250, No.46), is amended to read:

18 Section 1709-B. Limitation on Credits.--(a) The total
19 amount of credits approved by the department shall not exceed
20 [thirty million dollars (\$30,000,000)] forty million dollars
21 (\$40,000,000) in any fiscal year. Of that amount, [six million
22 dollars (\$6,000,000)] eight million dollars (\$8,000,000) shall
23 be allocated exclusively for small businesses. However, if the
24 total amounts allocated to either the group of applicants
25 exclusive of small businesses or the group of small business
26 applicants is not approved in any fiscal year, the unused
27 portion will become available for use by the other group of
28 qualifying taxpayers.

29 * * *

30 Section 5. Section 1712-B of the act, amended June 29, 2002

1 (P.L.559, No.89), is amended to read:

2 Section 1712-B. Termination.--The department shall not
3 approve a research and development tax credit under this article
4 for taxable years ending after December 31, [2006] 2010.

5 SECTION 6. THE AMENDMENT OF THE DEFINITION OF "SMALL
6 BUSINESS" IN SECTION 1702-B AND OF SECTIONS 1703-B, 1709-B(A)
7 AND 1712-B OF THE ACT SHALL APPLY TO ALL CREDITS AWARDED AFTER
8 JUNE 30, 2006. <—

9 Section ~~6~~ 7. This act shall take effect in 60 days. <—