

GREEN SHEET REDIGEST

HB 300

2017 Regular Session

Davis

(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

**TAX CREDITS: Provides relative to the amount of the research and development tax credit and authorizes transferability of the credit under certain circumstances.**

DIGEST

Present law authorizes an income and corporation franchise tax credit for certain taxpayers who employ 50 or more persons and claim a federal income tax credit for increasing research activities. This tax credit is also available for tax payers who employ fewer than 50 employees if the employer meets certain eligibility requirements.

Present law authorizes the following credits as a percentage of increased research expenses for a taxpayer who employs the following number of employees:

Number of Employees	Tax Credit
100 or more	8%
50-99	20%
fewer than 50	40%

Proposed law authorizes the following credits:

Number of Employees	Tax Credit
100 or more	5%
50-99	10%
fewer than 50	30%

Present law allows a taxpayer receiving a grant from the federal Small Business Technology Transfer Program or the federal Small Business Innovation Research Grant a tax credit in an amount equal to 40% of the award received during the tax year.

Proposed law provides that the tax credit shall apply to Phase I or Phase II grants from the Federal Small Business Technology Transfer program or from the Small Business Technology Transfer Program and reduces the tax credit from 40% to 30% of the award received during the tax year.

Proposed law authorizes credits based upon participation in the Small Business Technology Transfer Program or the Small Business Innovation Research Grant program for 2018 and thereafter to be transferred or sold to one or more La. taxpayers. To utilize the transferred tax credit, proposed law requires transferors and transferees to submit to the Dept. of Revenue written notification of any transfer or sale of this tax credit within 10 business days after the transfer or sale. The notification submitted to the Department of Revenue shall include a transfer processing fee of \$200 per transferee.

Proposed law further requires that a sale or transfer of the tax credit shall not be effective until recorded in the tax credit registry in accordance with present law.

Proposed law authorizes carryforward of the credit beginning on the date on which the credit was earned, regardless of when the credit was transferred or sold.

Present law defines "base amount" for purposes of calculating the amount of the credits as 70% of the average annual qualified research expenses in La. during the 3 years preceding the taxable year.

Proposed law changes present law by redefining "base amount" depending upon the number of persons the taxpayer employs.

Proposed law increases the "base amount" for purposes of a taxpayer that employs 50 or more persons from 70% to 80% of the average annual qualified research expenses in La. during the three years preceding the taxable year.

Proposed law decreases the "base amount" for purposes of a taxpayer that employs less than 50 persons from 70% to 50% of the average annual qualified research expenses in La. during the three preceding taxable years.

Present law provides that no credit shall be allowed for research expenditures incurred or Small Business Innovation Research Grant funds received after Dec. 31, 2019.

Proposed law further provides that no credit shall be allowed for Small Business Technology Transfer Program funds received, and extends the credit availability to research expenditures incurred on or before Dec. 31, 2021.

Proposed law shall apply to tax years beginning on or after Jan. 1, 2017.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6015(C)(2), (D), (E)(1), and (J))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Change the employee threshold for the 5% tax credit in proposed law from one that employs fifty or more persons to one that employ 100 or more.
2. Reduce the amount of the tax credit for a taxpayer that employs 50 - 99 persons from 20% to 10%.
3. Redefine "base amount" for purposes of calculating the credit based on the number of employees.

The House Floor Amendments to the engrossed bill:

1. Made technical amendments.

#### Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the reengrossed bill

1. Makes technical changes.
2. Makes clarifications in proposed law to make it conform with existing law.
3. Provides for a processing fee of \$200.
4. Adds that no credit shall be allowed for research expenditures incurred for Small Business Technology Transfer Program funds received.