

By: Button

H.B. No. 414

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for certain research and development activities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 171, Tax Code, is amended by adding Subchapter M to read as follows:

SUBCHAPTER M. TAX CREDIT FOR CERTAIN RESEARCH AND DEVELOPMENT ACTIVITIES

Sec. 171.651. DEFINITIONS. In this subchapter:

(1) "Qualified research" has the meaning assigned by Section 41, Internal Revenue Code, except that the research must be conducted in this state.

(2) "Qualified research expense" has the meaning assigned by Section 41, Internal Revenue Code, except that the payments and expenses must be for research conducted in this state.

Sec. 171.652. ENTITLEMENT TO CREDIT. A taxable entity is eligible for a credit against the tax imposed under this chapter in the amount and under the conditions and limitations provided by this subchapter.

Sec. 171.653. AMOUNT OF CREDIT. (a) The credit for any report equals:

(1) 10 percent of the difference between:  
(A) the qualified research expenses incurred in this state during the period on which the report is based; and

1                   (B) 50 percent of the average amount of qualified  
2 research expenses incurred in this state during the three tax years  
3 preceding the period on which the report is based; or

4                   (2) the amount of taxes imposed by Chapter 151 and paid  
5 during the period on which the report is based on the sale, lease,  
6 or rental to or use by the taxable entity of a taxable item that is  
7 used in performing qualified research.

8                   (b) For each report, a taxable entity may elect to compute  
9 the amount of the credit in accordance with Subsection (a)(1) or  
10 (2), regardless of whether the taxable entity has made a different  
11 election on a previous report.

12                   (c) The burden of establishing entitlement to and the value  
13 of the credit is on the taxable entity.

14                   Sec. 171.654. LIMITATIONS. The total credit claimed under  
15 this subchapter for a report, including the amount of any  
16 carryforward credit under Section 171.655, may not exceed 50  
17 percent of the amount of franchise tax due for the report before any  
18 other applicable tax credits.

19                   Sec. 171.655. CARRYFORWARD. If a taxable entity is  
20 eligible for a credit that exceeds the limitation under Section  
21 171.654, the taxable entity may carry the unused credit forward for  
22 not more than 20 consecutive reports. A credit carryforward from a  
23 previous report is considered to be used before the current year  
24 credit.

25                   Sec. 171.656. ASSIGNMENT PROHIBITED. A taxable entity may  
26 not convey, assign, or transfer the credit allowed under this  
27 subchapter to another entity unless all of the assets of the taxable

1 entity are conveyed, assigned, or transferred in the same  
2 transaction.

3 Sec. 171.657. APPLICATION FOR CREDIT. A taxable entity  
4 must apply for a credit under this subchapter on or with the tax  
5 report for the period for which the credit is claimed.

6 Sec. 171.658. RULES. The comptroller shall adopt rules  
7 necessary to implement this subchapter, including rules regarding  
8 the documentation necessary to establish the amount of the credit  
9 computed under Section 171.653(a)(2).

10 SECTION 2. This Act applies only to a report originally due  
11 on or after the effective date of this Act.

12 SECTION 3. This Act takes effect January 1, 2014.