

CS FOR HOUSE BILL NO. 118(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 2/17/12

Referred: Rules

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a tax credit for qualified research and development expenditures;**
2 **and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

5 **Sec. 43.20.047. Qualified research and development tax credit.** (a) Subject
6 to the terms and conditions of this section and in addition to any other credit
7 authorized to the taxpayer by this chapter, a taxpayer may apply 20 percent of the
8 taxpayer's expenditure for qualified research and development attributable to this state
9 for the taxable year that exceeds the base amount as a credit not to exceed \$10,000,000
10 against the state tax liability imposed on the taxpayer under this chapter.

11 (b) Qualified research and development expenditures are attributable to this
12 state if the research and development is being conducted in this state or the payroll of
13 employees conducting the research and development is in this state. In this subsection,
14 payroll of an employee is in this state if compensation is paid to an employee in this

1 state and reported as paid in this state in the quarterly contribution report under
2 AS 23.20 to the Department of Labor and Workforce Development.

3 (c) If the tax credit under this section exceeds the taxpayer's tax liability after
4 other tax credits are taken under this chapter for the year in which the expenditure is
5 incurred, the excess of the tax credit over the liability may be carried forward for up to
6 seven years. If an unused credit is carried forward to a tax year from an earlier year,
7 the credit arising in the earliest year is applied first against the tax liability for the year.

8 (d) A person may not claim a credit under this section for qualified research
9 and development expenditures that were deducted in the calculation of tax liability
10 under AS 43.20.011(e) or for which any other credit, including any federal credit, has
11 been claimed under this title.

12 (e) Each year, if three or more taxpayers claim the credit authorized under this
13 section during the immediately preceding year, the department shall report to the
14 legislature the number of taxpayers who claimed credits under this section in the prior
15 year, the total cumulative amount of credits granted to all taxpayers under this section
16 for the prior tax year, a description of the research and development projects for which
17 the credit was granted, and the total cumulative number of employees conducting the
18 research and development for which all taxpayers claim the credit.

19 (f) In this section,

20 (1) "base amount" means the average of qualified research and
21 development expenditures attributable to this state for the three tax years immediately
22 preceding the taxable year for which the credit is being claimed;

23 (2) "qualified research and development" has the meaning given to
24 "qualified research" in 26 U.S.C. 41(d) (Internal Revenue Code), as amended, that is
25 attributable to this state.

26 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).