

HOUSE RESEARCH

Bill Summary

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Overview

This bill increases the credit rate under the research and development credit to a flat 5% rate. Under present law, the 5% credit rate drops to 2.5% for expenditures over \$2 million.

Section

- 1** **Flat credit rate.** This section increases the research credit rate from 2.5% to 5% for expenditures in excess of \$2 million. Under present law, a tiered credit rate applies: 5% for the first \$2 million or expenses and 2.5% for the amount over \$2 million. The credit applies only to liability under the corporate franchise tax.

Effective date : Extension of the credit to individual filers takes effect for tax year 2006. The flat credit rate is phased-in in steps - the 2.5% rate becomes 3% for tax year 2006, 4% for tax year 2007, and the flat 5 percent rate is fully effective for tax year 2008.