

**Subject** R&D credit; alternative simplified credit proposed

**Authors** Robbins and others

**Analyst** Chris Kleman

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## Overview

This bill would allow taxpayers to claim an alternative simplified credit (ASC) under the state's research and development credit (R&D credit). The proposed ASC would mirror the federal ASC in part.

The regular state credit is calculated by applying a ten percent rate to the amount of a taxpayer's qualified research expenditures (QREs – essentially R&D expenses) over \$2 million that exceed the taxpayer's base amount. A separate four percent rate applies any remaining amount of such excess. While a taxpayer's base amount may vary based on a variety of factors, for the vast majority of taxpayers claiming the credit, the base amount is 50 percent of the taxpayer's current taxable year QREs.

By contrast, the proposed ASC would apply a flat rate of six percent to the difference between a taxpayer's current year QREs and an alternative base amount. The base amount would be the greater of 50 percent of the taxpayer's three-year average of QREs in the preceding three years or 50 percent of their current taxable year QREs.

## Summary

Section	Description
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<b>1</b>	<b>Credit allowed.</b>
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Requires the ASC to be computed at the rate of six percent on the difference between the taxpayer's QREs and their ASC base amount.

Effective date: Taxable years in 2021 and thereafter.

Section	Description
2	<p><b>Definitions.</b></p> <p>Defines the base amount for the ASC as the greater of 50 percent of the taxpayer's average QREs for the preceding three-year period or 50 percent of the taxpayer's current taxable year QREs.</p> <p>Effective date: Taxable years in 2021 and thereafter.</p>
3	<p><b>Alternative simplified credit election.</b></p> <p>Allows a taxpayer to elect the ASC. Also allows revocation of the election but imposes a five-year waiting period on making the election again.</p> <p>Effective date: Taxable years in 2021 and thereafter.</p>



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