Overview

This bill extends the credit for increasing research expenditures to the individual income tax. Under present law, the credit only applies to the corporate franchise tax.

Section

1. **Research credit.** Allows any "taxpayer" to claim a research credit. Under present law, the credit may only be claimed by corporations. (In an apparent drafting error, the bill failed to change the provision that limits the credit to liability under the provision of law imposing tax on corporations, however. The bill is likely intended to allow the research credit to be claimed against the individual income tax, as is permitted under federal law.)

   **Historical information.** As originally enacted in 1982, the research credit was allowed to both corporations and individuals. In 1985 as part of an effort to simplify the individual income tax, the legislature repealed the credit for individual taxpayers. During the period the credit was available to individuals, a small share of the credit's cost was attributable to individual taxpayers.

2. **Conforming changes.** Converts other references in the research credit from "corporation" to "taxpayer."

3. **Noncorporate taxpayers.** Provides that the credit is to be allocated among noncorporate taxpayers in the same manner as provided under federal law. (The bill appears to eliminate the allocation rules for corporations that are members of a partnership that qualifies for research credits.)

4. **Effective date.** Provides that the bill is effective for tax year 1999.