

**Subject** Research credit  
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## Overview

This bill allows taxpayers to elect an alternative method of calculating the Minnesota research and development credit using a base of one-half of the average of qualified research expenses over the previous three tax years. By contrast, the base amount under the standard or regular credit for most taxpayers is based on qualified expenses in tax years 1984 to 1988 (set as a percentage of gross receipts, but not to exceed 16 percent, to adjust for changes in the size of the business). This option is similar to the alternative simplified credit (or ASC) under the federal research credit.

Taxpayers electing the ASC under the bill would be allowed a credit rate of six percent. By contrast, the credit rate under the standard credit is ten percent of the first \$2 million of qualifying expenses over the base amount and four percent of any amount over that. If a taxpayer revokes the election, they must wait five years before making the election again.

## Summary

Section	Description
1	<p><b>Credit allowed.</b></p> <p>Modifies the calculation of the credit to allow the credit to be determined based on an alternative calculation of the base amount.</p> <p><b>Effective date:</b> Tax year 2019.</p>
2	<p><b>Definitions.</b></p> <p>Modifies the definition of “base amount” for taxpayers electing to use the alternative simplified credit in section 3. As proposed, the alternative base amount would be equal to 50% of the average qualified research expenses over the preceding three taxable years.</p> <p><b>Effective date:</b> Tax year 2019.</p>

Section	Description
3	<p data-bbox="342 262 1425 304"><b>Alternative simplified credit calculation.</b></p> <p data-bbox="342 304 1425 420">Allows a taxpayer to elect the use of the alternative base amount in section 2 when calculating the credit. The election is revocable; if revoked, however, the taxpayer may not make the election again for the next five taxable years.</p> <p data-bbox="342 441 1425 485"><b>Effective date:</b> Tax year 2019.</p>



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