

# Union Calendar No. 319

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4438

[Report No. 113–431]

To amend the Internal Revenue Code of 1986 to simplify and make permanent the research credit.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 2014

Mr. BRADY of Texas (for himself, Mr. LARSON of Connecticut, Mr. PAULSEN, Ms. ESHOO, Mr. McCAUL, Ms. MATSUI, Mr. SAM JOHNSON of Texas, Mr. NEAL, and Mr. SCHOCK) introduced the following bill; which was referred to the Committee on Ways and Means

MAY 2, 2014

Additional sponsors: Mr. BEN RAY LUJÁN of New Mexico, Ms. JENKINS, Mr. REED, Ms. LINDA T. SÁNCHEZ of California, Mr. KELLY of Pennsylvania, Mr. BOUSTANY, Mr. FRANKS of Arizona, Mr. YOUNG of Indiana, Mr. MARINO, Mr. HONDA, Mr. GRIFFIN of Arkansas, Mr. KIND, Mr. SWALWELL of California, Mr. COFFMAN, and Mr. JONES

MAY 2, 2014

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on April 9, 2014]

# **A BILL**

To amend the Internal Revenue Code of 1986 to simplify  
and make permanent the research credit.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4       *This Act may be cited as the “American Research and*  
5 *Competitiveness Act of 2014”.*

6 **SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-**  
7 **NENT.**

8       *(a) IN GENERAL.—Subsection (a) of section 41 of the*  
9 *Internal Revenue Code of 1986 is amended to read as fol-*  
10 *lows:*

11       *“(a) IN GENERAL.—For purposes of section 38, the re-*  
12 *search credit determined under this section for the taxable*  
13 *year shall be an amount equal to the sum of—*

14             *“(1) 20 percent of so much of the qualified re-*  
15 *search expenses for the taxable year as exceeds 50 per-*  
16 *cent of the average qualified research expenses for the*  
17 *3 taxable years preceding the taxable year for which*  
18 *the credit is being determined,*

19             *“(2) 20 percent of so much of the basic research*  
20 *payments for the taxable year as exceeds 50 percent*  
21 *of the average basic research payments for the 3 tax-*  
22 *able years preceding the taxable year for which the*  
23 *credit is being determined, plus*

24             *“(3) 20 percent of the amounts paid or incurred*  
25 *by the taxpayer in carrying on any trade or business*

1       of the taxpayer during the taxable year (including as  
2       contributions) to an energy research consortium for  
3       energy research.”.

4       **(b) REPEAL OF TERMINATION.**—Section 41 of such  
5       Code is amended by striking subsection (h).

6       **(c) CONFORMING AMENDMENTS.**—

7               (1) Subsection (c) of section 41 of such Code is  
8       amended to read as follows:

9       “**(c) DETERMINATION OF AVERAGE RESEARCH EX-**  
10       **PENSES FOR PRIOR YEARS.**—

11               “(1) **SPECIAL RULE IN CASE OF NO QUALIFIED**  
12       **RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING**  
13       **TAXABLE YEARS.**—In any case in which the taxpayer  
14       has no qualified research expenses in any one of the  
15       3 taxable years preceding the taxable year for which  
16       the credit is being determined, the amount determined  
17       under subsection (a)(1) for such taxable year shall be  
18       equal to 10 percent of the qualified research expenses  
19       for the taxable year.

20               “(2) **CONSISTENT TREATMENT OF EXPENSES.**—

21               “(A) **IN GENERAL.**—Notwithstanding wheth-  
22       er the period for filing a claim for credit or re-  
23       fund has expired for any taxable year taken into  
24       account in determining the average qualified re-  
25       search expenses, or average basic research pay-

1           ments, taken into account under subsection (a),  
2           the qualified research expenses and basic research  
3           payments taken into account in determining  
4           such averages shall be determined on a basis con-  
5           sistent with the determination of qualified re-  
6           search expenses and basic research payments, re-  
7           spectively, for the credit year.

8           “(B) *PREVENTION OF DISTORTIONS.*—The  
9           Secretary may prescribe regulations to prevent  
10          distortions in calculating a taxpayer’s qualified  
11          research expenses or basic research payments  
12          caused by a change in accounting methods used  
13          by such taxpayer between the current year and  
14          a year taken into account in determining the av-  
15          erage qualified research expenses or average basic  
16          research payments taken into account under sub-  
17          section (a).”.

18          (2) Section 41(e) of such Code is amended—

19                  (A) by striking all that precedes paragraph  
20                  (6) and inserting the following:

21          “(e) *BASIC RESEARCH PAYMENTS.*—For purposes of  
22          this section—

23                  “(1) *IN GENERAL.*—The term ‘basic research  
24                  payment’ means, with respect to any taxable year,  
25                  any amount paid in cash during such taxable year

1       *by a corporation to any qualified organization for*  
2       *basic research but only if—*

3               “(A) *such payment is pursuant to a written*  
4               *agreement between such corporation and such*  
5               *qualified organization, and*

6               “(B) *such basic research is to be performed*  
7               *by such qualified organization.*”

8               “(2) *EXCEPTION TO REQUIREMENT THAT RE-*  
9               *SEARCH BE PERFORMED BY THE ORGANIZATION.—In*  
10              *the case of a qualified organization described in sub-*  
11              *paragraph (C) or (D) of paragraph (3), subpara-*  
12              *graph (B) of paragraph (1) shall not apply.*”

13              (B) *by redesignating paragraphs (6) and*  
14              *(7) as paragraphs (3) and (4), respectively, and*

15              (C) *in paragraph (4) as so redesignated, by*  
16              *striking subparagraphs (B) and (C) and by re-*  
17              *designating subparagraphs (D) and (E) as sub-*  
18              *paragraphs (B) and (C), respectively.*

19              (3) *Section 41(f)(3) of such Code is amended—*

20              (A)(i) *by striking “, and the gross receipts”*  
21              *in subparagraph (A)(i) and all that follows*  
22              *through “determined under clause (iii)”*,

23              (ii) *by striking clause (iii) of subparagraph*  
24              (A) *and redesignating clauses (iv), (v), and (vi),*

1           thereof, as clauses (iii), (iv), and (v), respec-  
2           tively,

3           (iii) by striking “and (iv)” each place it  
4           appears in subparagraph (A)(iv) (as so redesign-  
5           ated) and inserting “and (iii)”,

6           (iv) by striking subclause (IV) of subpara-  
7           graph (A)(iv) (as so redesignated), by striking “,  
8           and” at the end of subparagraph (A)(iv)(III) (as  
9           so redesignated) and inserting a period, and by  
10          adding “and” at the end of subparagraph  
11          (A)(iv)(II) (as so redesignated),

12          (v) by striking “(A)(vi)” in subparagraph  
13          (B) and inserting “(A)(v)”, and

14          (vi) by striking “(A)(iv)(II)” in subpara-  
15          graph (B)(i)(II) and inserting “(A)(iii)(II)”,

16          (B) by striking “, and the gross receipts of  
17          the predecessor,” in subparagraph (A)(iv)(II) (as  
18          so redesignated),

19          (C) by striking “, and the gross receipts of,”  
20          in subparagraph (B),

21          (D) by striking “, or gross receipts of,” in  
22          subparagraph (B)(i)(I), and

23          (E) by striking subparagraph (C).

24          (d) *EFFECTIVE DATE.*—

1           (1) *IN GENERAL.*—*Except as provided in para-*  
2           *graph (2), the amendments made by this section shall*  
3           *apply to taxable years beginning after December 31,*  
4           *2013.*

5           (2) *SUBSECTION (b).*—*The amendment made by*  
6           *subsection (b) shall apply to amounts paid or in-*  
7           *curred after December 31, 2013.*





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