



General Assembly

Substitute Bill No. 303

February Session, 2014



AN ACT EXTENDING THE RESEARCH AND EXPERIMENTAL EXPENDITURE TAX CREDIT TO PASS-THROUGH ENTITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-217j of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2014, and*
3 *applicable to income and taxable years commencing on or after January 1,*
4 *2014*):

5 (a) There shall be allowed as a credit against the tax imposed [on
6 any corporation] (1) under this chapter, with respect to income years of
7 [such] any corporation commencing on or after January 1, 1994, and
8 prior to January 1, 2014, and (2) under this chapter or chapter 229,
9 other than the liability imposed by section 12-707, with respect to
10 income or taxable years commencing on or after January 1, 2014, an
11 amount equal to twenty per cent of the amount spent by [such
12 corporation] a taxpayer directly on research and experimental
13 expenditures, as defined in Section 174 of the Internal Revenue Code of
14 1986, or any subsequent corresponding internal revenue code of the
15 United States, as from time to time amended, which are conducted in
16 this state and which exceeds the amount spent by such [corporation]
17 taxpayer during the preceding income or taxable year of such
18 [corporation] taxpayer for such expenditures.

19 (b) (1) With respect to any income year commencing on or after
20 January 1, 2000, a credit or any portion of a credit that is allowed under

21 this section but that is not used by a taxpayer because the amount of
22 the credit exceeds the tax due and owing by the taxpayer shall be
23 carried forward to each of the successive income years until such
24 credit, or applicable portion of [the] such credit, is fully taken. In no
25 case shall a credit, or any portion of a credit, that is not used by a
26 taxpayer be carried forward for a period of more than fifteen years.

27 (2) (A) With respect to any income year commencing on or after
28 January 1, 1997, and prior to January 1, 2000, a credit or any portion of
29 a credit that is allowed under this section but that is not used by a
30 biotechnology company because the amount of the credit exceeds the
31 tax due and owing by the taxpayer shall be carried forward to each of
32 the successive income years until such credit, or applicable portion of
33 [the] such credit, is fully taken. In no case shall a credit, or any portion
34 of a credit, that is not used by a biotechnology company be carried
35 forward for a period of more than fifteen years.

36 (B) For purposes of this subsection, "biotechnology company" means
37 a company engaged in the business of applying technologies, such as
38 recombinant DNA techniques, biochemistry, molecular and cellular
39 biology, genetics and genetic engineering, biological cell fusion
40 techniques, and new bioprocesses, using living organisms, or parts of
41 organisms, to produce or modify products, to improve plants or
42 animals, to develop microorganisms for specific uses, to identify
43 targets for small molecule pharmaceutical development, or to
44 transform biological systems into useful processes and products.

45 (c) If the taxpayer is an S corporation or an entity treated as a
46 partnership for federal income tax purposes, the shareholders or
47 partners of such taxpayer may claim the credit allowed under this
48 section. If the taxpayer is a single-member limited liability company
49 that is disregarded as an entity separate from its owner, the limited
50 liability company's owner may claim the credit allowed under this
51 section.

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| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>July 1, 2014, and applicable to income and taxable years commencing on or after January 1, 2014</i> | 12-217j |

Statement of Legislative Commissioners:

In subsection (a), "income years of such corporation" was changed to "income years of [such] any corporation", for clarity; and in subsection (c), "may claim the credit" was changed to "may claim the credit allowed under this section", in both instances, for clarity.

CE *Joint Favorable Subst. -LCO*