

HOUSE BILL NO. 5102

October 05, 2023, Introduced by Reps. Puri, Hoskins, Rheingans, Andrews, Martus, Pohutsky, O'Neal, Byrnes, Conlin and Hood and referred to the Committee on Economic Development and Small Business.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.847) by adding sections 277b and 677b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 **Sec. 277b. (1) The Michigan strategic fund is authorized to**
2 **provide an additional tax credit under this section to support**
3 **research and development projects that collaborate with research**
4 **universities in this state.**

5 **(2) Subject to the limitations under this section, for tax**

1 years beginning on and after January 1, 2024, a qualified taxpayer
2 that has a demonstrated plan to collaborate with a research
3 university in this state may claim an additional credit against the
4 tax imposed under this part equal to 5% of the qualified taxpayer's
5 research and development expenses that are in excess of the base
6 amount as certified by the Michigan strategic fund under section
7 277 or 277a, whichever is applicable. For a credit certified under
8 section 277, the additional credit allowed under this section must
9 not be claimed for more than 5 tax years and must not exceed
10 \$1,000,000.00 over the 5 tax years under the same written
11 agreement. For a credit certified under section 277a, the
12 additional credit allowed under this section must not be claimed
13 for more than 7 tax years and must not exceed \$1,000,000.00 over
14 the 7 tax years under the same written agreement.

15 (3) For a qualified taxpayer who is a member of a flow-through
16 entity that qualifies for the credit under this section, that
17 taxpayer may claim a credit against the member's tax liability
18 under this part based on the member's distributive share of
19 business income reported from that flow-through entity or an
20 alternative method approved by the department.

21 (4) A qualified taxpayer shall not claim the additional credit
22 under this section unless the Michigan strategic fund has issued a
23 certificate to the qualified taxpayer. The qualified taxpayer shall
24 attach the certificate to the annual return filed under this part
25 on which an additional credit under this section is claimed. The
26 certificate required by this subsection shall state all of the
27 following:

28 (a) The taxpayer is a qualified taxpayer.

29 (b) The amount of the additional credit under this section for

1 the qualified taxpayer for the designated tax year.

2 (c) The taxpayer's federal employer identification number or
3 the Michigan department of treasury number assigned to the
4 taxpayer.

5 (5) The credit allowed under this section must be claimed
6 after all allowable nonrefundable credits under this part. For a
7 qualified taxpayer with a certificated credit under section 277, if
8 the amount of the additional credit allowed under this section
9 exceeds the tax liability of the taxpayer for the tax year, that
10 portion of the credit that exceeds the tax liability of the
11 taxpayer for the tax year must not be refunded, but may be carried
12 forward to offset tax liability in subsequent tax years for 5 years
13 or until used up, whichever occurs first. Amounts carried forward
14 do not affect the maximum amount of credits that may be claimed in
15 subsequent tax years. For a qualified taxpayer with a certificated
16 credit under section 277a, if the amount of the additional credit
17 allowed under this section exceeds the tax liability of the
18 taxpayer for the tax year, that portion of the credit that exceeds
19 the tax liability of the taxpayer for the tax year must be
20 refunded.

21 (6) As used in this section:

22 (a) "Base amount", "research and development expenses", and
23 "written agreement" mean those terms as defined in section 90u of
24 the Michigan strategic fund act, 1984 PA 270, MCL 125.2090u.

25 (b) "Certificated credit" means a credit for which a taxpayer
26 has entered into an agreement with the Michigan strategic fund
27 under section 277 or 277a.

28 (c) "Michigan strategic fund" means the Michigan strategic
29 fund created under the Michigan strategic fund act, 1984 PA 270,

1 MCL 125.2001 to 125.2094.

2 (d) "Qualified taxpayer" means a taxpayer with a certificated
3 credit.

4 Sec. 677b. (1) The Michigan strategic fund is authorized to
5 provide an additional tax credit under this section to support
6 research and development projects that collaborate with research
7 universities in this state.

8 (2) Subject to the limitations under this section, for tax
9 years beginning on and after January 1, 2024, a qualified taxpayer
10 that has a demonstrated plan to collaborate with a research
11 university in this state may claim an additional credit against the
12 tax imposed under this part equal to 5% of the qualified taxpayer's
13 research and development expenses that are in excess of the base
14 amount as certified by the Michigan strategic fund under section
15 677 or 677a, whichever is applicable. For a credit certified under
16 section 677, the additional credit allowed under this section must
17 not be claimed for more than 5 tax years and must not exceed
18 \$1,000,000.00 over the 5 tax years under the same written
19 agreement. For a credit certified under section 677a, the
20 additional credit allowed under this section must not be claimed
21 for more than 7 tax years and must not exceed \$1,000,000.00 over
22 the 7 tax years under the same written agreement.

23 (3) A qualified taxpayer shall not claim the additional credit
24 under this section unless the Michigan strategic fund has issued a
25 certificate to the qualified taxpayer. The qualified taxpayer shall
26 attach the certificate to the annual return filed under this part
27 on which an additional credit under this section is claimed. The
28 certificate required by this subsection shall state all of the
29 following:

1 (a) The taxpayer is a qualified taxpayer.

2 (b) The amount of the additional credit under this section for
3 the qualified taxpayer for the designated tax year.

4 (c) The taxpayer's federal employer identification number or
5 the Michigan department of treasury number assigned to the
6 taxpayer.

7 (4) The credit allowed under this section must be claimed
8 after all allowable nonrefundable credits under this part. For a
9 qualified taxpayer with a certificated credit under section 677, if
10 the amount of the additional credit allowed under this section
11 exceeds the tax liability of the taxpayer for the tax year, that
12 portion of the credit that exceeds the tax liability of the
13 taxpayer for the tax year must not be refunded, but may be carried
14 forward to offset tax liability in subsequent tax years for 5 years
15 or until used up, whichever occurs first. Amounts carried forward
16 do not affect the maximum amount of credits that may be claimed in
17 subsequent tax years. For a qualified taxpayer with a certificated
18 credit under section 677a, if the amount of the additional credit
19 allowed under this section exceeds the tax liability of the
20 taxpayer for the tax year, that portion of the credit that exceeds
21 the tax liability of the taxpayer for the tax year must be
22 refunded.

23 (5) As used in this section:

24 (a) "Base amount", "research and development expenses", and
25 "written agreement" mean those terms as defined in section 90u of
26 the Michigan strategic fund act, 1984 PA 270, MCL 125.2090u.

27 (b) "Certificated credit" means a credit for which a taxpayer
28 has entered into an agreement with the Michigan strategic fund
29 under section 677 or 677a.

1 (c) "Michigan strategic fund" means the Michigan strategic
2 fund created under the Michigan strategic fund act, 1984 PA 270,
3 MCL 125.2001 to 125.2094.

4 (d) "Qualified taxpayer" means a taxpayer with a certificated
5 credit.

6 Enacting section 1. This amendatory act does not take effect
7 unless all of the following bills of the 102nd Legislature are
8 enacted into law:

9 (a) Senate Bill No. ____ or House Bill No. 5100 (request no.
10 03343'23).

11 (b) Senate Bill No. ____ or House Bill No. 5101 (request no.
12 03631'23).

13 (c) Senate Bill No. ____ or House Bill No. 5099 (request no.
14 04141'23).