

By Mr. Flood of Canton, petition of John H. Flood for legislation to provide for a research and development tax credit. Taxation.

**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Ninety.

AN ACT PROVIDING FOR A RESEARCH AND DEVELOPMENT TAX CREDIT.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 63 of the General Laws as appearing in  
2 the 1988 Official Edition is hereby amended by inserting after  
3 section 38K the following: —

4 Section 38L. There shall be allowed as a credit against the taxes  
5 imposed in this Chapter an amount determined in accordance with  
6 Section 41 of the Internal Revenue Code, except as follows:

7 (A) The applicable percentage shall be 8 percent of the excess  
8 of the qualified research expenses for the income year over the  
9 base period research expenses and 12 percent of the basic research  
10 payments.

11 (B) "Qualified research" and "basic research" shall include only  
12 research conducted in Massachusetts.

13 (C) The provisions of Section 41(e)(7)(A) of the Internal  
14 Revenue Code, shall be modified so that "basic research," for the  
15 purpose of this section, includes any basic or applied research  
16 including scientific inquiry of original investigation for the  
17 advancement of scientific or engineering products, except that the  
18 term does not include any of the following:

19 (1) Basic research conducted outside Massachusetts.

20 (2) Basic research in the social sciences, arts or humanities.

21 (3) Basic research for the purpose of improving a commercial  
22 product if the improvements relate to style, taste, cosmetic, or  
23 seasonal design factors.

24 (4) Any expenditure paid or incurred for the purpose of  
25 ascertaining the existence, location, extent, or quality of any  
26 deposit of ore or other mineral (including oil and gas).

27 (D) Any corporation entitled to a credit for any taxable year  
28 in accordance with the provisions of this Act, may carry over and  
29 apply to its excise for any one or more of the next succeeding three  
30 taxable years, the portion, as reduced from year to year, of its  
31 credit which exceeds its excise for the taxable year.

32 (E) (1) This section shall apply only to expenditures incurred  
33 on or after January 1, 1988, and paid or incurred on or before  
34 January 1, 1993.

35 (2) In the case of any taxable year which begins on or before  
36 January 1, 1988, and ends on or after December 31, 1987, any  
37 amount for any base period with respect to that taxable year shall  
38 be the amount which bears the same ratio to that amount for that  
39 base period as the number of days in that taxable year before  
40 January 1, 1988, bears to the total number of days in that taxable  
41 year.

42 (3) In the case of any taxable year which begins on or before  
43 January 1, 1993, and ends on or after December 31, 1992, any  
44 amount for any base period with respect to that taxable year shall  
45 be the amount which bears the same ratio to that amount for that  
46 base period as the number of days in that taxable year before  
47 January 1, 1993, bears to the total number of days in that taxable  
48 year.

1 SECTION 2. The provisions of this Act shall be in effect until  
2 January 1, 1994.