



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

HB0627

Introduced 2/6/2009, by Rep. Jim Watson

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/218 new

Amends the Illinois Income Tax Act. Creates an alternate research and development credit for taxable years ending on or after December 31, 2008 for taxpayers who make qualified research expenditures during the taxable year. Provides that the amount of the credit for taxpayers who have conducted business activities in each of the 3 preceding taxable years is 12% of: (i) the amount of qualified research expenditures made in the current taxable year; less (ii) 50% of the average of the qualified research expenditures made for the 3 preceding taxable years. Provides that the amount of the credit for taxpayers who have not conducted business activities in each of the 3 preceding taxable years is 6.5% of the qualified research expenditures made in the current taxable year. Provides that the credit may be carried forward for 5 years. Exempts the credit from the Act's sunset provisions. Prohibits taxpayers from claiming the credit if they claim a research and development credit under other provisions of the Act. Effective immediately.

LRB096 04459 RCE 14511 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by adding  
5 Section 218 as follows:

6 (35 ILCS 5/218 new)

7 Sec. 218. Alternate research and development credit.

8 (a) For taxable years ending on or after December 31, 2008,  
9 each taxpayer who, during the taxable year, makes qualified  
10 research expenditures is entitled to a credit against the tax  
11 imposed under subsections (a) and (b) of Section 201 in an  
12 amount equal to the following:

13 (1) For taxpayers who have conducted business  
14 activities in each of the 3 preceding taxable years, the  
15 credit under this Section is 12% of the taxpayer's adjusted  
16 research expense; or

17 (2) For taxpayers who have not conducted business  
18 activities in each of the 3 preceding taxable years, the  
19 credit under this Section is 6.5% of the qualified research  
20 expenditures made in the current taxable year.

21 (b) For the purpose of this Section:

22 "Adjusted research expense" means an amount equal to: (i)  
23 the amount of qualified research expenditures made in the

1 current taxable year; less (ii) 50% of the average of the  
2 qualified research expenditures made for the 3 preceding  
3 taxable years.

4 "Qualifying research expenditures" means the qualifying  
5 expenditures as defined for the federal credit for increasing  
6 research activities that would be allowable under Section 41 of  
7 the Internal Revenue Code and that are conducted in this State.

8 (c) For partners, shareholders of Subchapter S  
9 corporations, and owners of limited liability companies, if the  
10 liability company is treated as a partnership for purposes of  
11 federal and State income taxation, there is allowed a credit  
12 under this Section to be determined in accordance with the  
13 determination of income and distributive share of income under  
14 Sections 702 and 704 and Subchapter S of the Internal Revenue  
15 Code.

16 (d) The credit may not be carried back. Any credit in  
17 excess of the tax liability for the taxable year may be carried  
18 forward. A taxpayer may elect to have the unused credit shown  
19 on its final completed return carried over as a credit against  
20 the tax liability for the following 5 taxable years or until it  
21 has been fully used, whichever occurs first. If an unused  
22 credit is carried forward to a given year from 2 or more  
23 earlier years, that credit arising in the earliest year must be  
24 applied first against the tax liability for the given year. If  
25 a tax liability for the given year still remains, the credit  
26 from the next earliest year must then be applied, and so on,

1 until all credits have been used or no tax liability for the  
2 given year remains. Any remaining unused credit or credits then  
3 must be carried forward to the next following year in which a  
4 tax liability is incurred, except that no credit may be carried  
5 forward to a year that is more than 5 years after the year in  
6 which the expense for which the credit is given was incurred.

7 (e) This Section is exempt from the provisions of Section  
8 250 of this Act.

9 (f) A taxpayer may not claim a credit under this Section in  
10 any taxable year that the taxpayer claims a credit under  
11 subsection (k) of Section 201 of this Act.

12 Section 99. Effective date. This Act takes effect upon  
13 becoming law.