

ONE HUNDRED SECOND LEGISLATURE - SECOND SESSION - 2012
COMMITTEE STATEMENT
LB983

Hearing Date: Wednesday February 01, 2012
Committee On: Revenue
Introducer: Cornett
One Liner: Change provisions relating to a research tax credit

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 8 Senators Adams, Brasch, Cornett, Fischer, Hadley, Louden, Pirsch, Schumacher
Nay:
Absent:
Present Not Voting:

Proponents: Sen. Abbie Cornett Joseph Young	Representing: Introducer State Chamber of Commerce
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Opponents:	Representing:
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Neutral:	Representing:
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Summary of purpose and/or changes:

LB 983 would strike the limitation on the number of years that a taxpayer can claim the research and development (R&D) tax credits authorized by Neb. Rev. Stat. sec. 77-5803, thereby recognizing and affirming Nebraska's commitment to providing R&D tax credits for projects that may take more than five years to successfully research and develop.

One of those tax credits applies to university-based R&D projects and the other applies to R&D projects that are not university-based projects. Current law limits a taxpayer's ability to claim the R&D tax credits to a total of five tax years.

Those R&D tax credits can be used to obtain a refund of Nebraska state sales and use taxes paid, may be used against the Nebraska income tax liability of the taxpayer, or may be used as a refundable credit claimed on a taxpayer's Nebraska income tax return, pursuant to Neb. Rev. Stat, sec. 77-5804.

Section 1: Would strike the following limitation as it applies to taxpayers who claim either of the two the R&D credits authorized by Neb. Rev. Stat, sec. 77-5803(1) (a) and (b), the first of which provides for a tax credit equal to 15 percent of the federal R&D tax credit allowed under Internal Revenue Code (IRC) sec. 41 for projects that do not involve university-based R&D projects and the second of which provides for a tax credit equal to 35 percent of the federal R&D tax credit allowed under IRC sec. 41 for projects that do involve university-based R&D projects:

"The credit shall be allowed for the first tax year it is claimed and for the four tax years immediately following."

[LB 983, sec. 1, amending Neb. Rev. Stat. sec. 77-5803(1) (a) and (b).]

Section 2: The changes proposed by LB 983 would be operative for all taxable years beginning or deemed to begin on or after January 1, 2012, under the 12 Internal Revenue Code of 1986, as amended. [LB 983, sec. 2.]

Section 3: Would repeal the current version of the statute that LB 983 seeks to amend.

Explanation of amendments:

AM 2096 to LB 983 is a "white-copy" amendment of LB 983 which, as amended by AM 2096, would allow the research and development tax credit to be carried forward 20 years (rather than 4 years under current law).

The proposed 20-year carryforward is consistent with the 20-year carryforward period allowed under federal law for the Internal Revenue Code (IRC) section 41 R&D income tax credit. (Since the IRC section 41 R&D credit is one of the many "General Business Credits" under IRC section 38, its carryforward period is 20 years as provided for by IRC section 39.)

Abbie Cornett, Chairperson