

1 HB73
2 115586-1
3 By Representative Ball
4 RFD: Education Appropriations
5 First Read: 12-JAN-10
6 PFD: 01/06/2010

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8 SYNOPSIS: For tax years beginning after December 31,
9 2010, this Act will allow for a research and
10 development credit attributable to Alabama
11 activities. This credit will annually phase in an
12 increasing percentage to a maximum of twenty
13 percent (20%) of the amount allowed in Section 41
14 of the Internal Revenue Code, if certain conditions
15 are met.

16
17 A BILL
18 TO BE ENTITLED
19 AN ACT
20

21 To add Section 40-18-180 to the Code of Alabama,
22 1975, to allow a research and development credit for tax years
23 beginning after December 31, 2010, that will annually phase in
24 and increase in percentage to a maximum of twenty percent
25 (20%) of that amount which is allowed in Section 41 of the
26 Internal Revenue Code, if certain conditions are met. The
27 research and development income tax credit would encourage

1 businesses to increase their investment in research activities
2 and to locate those research activities in Alabama.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

4 Section 1. Section 40-18-180 is hereby added to the
5 Code of Alabama, 1975 to read as follows:

6 Section 40-18-180. Research and Development income
7 tax credit.

8 (a) A Research and Development credit shall be
9 available to taxpayers that qualify for the federal research
10 and development credit as determined under the Internal
11 Revenue Code Section 41. The amount of the Alabama research
12 and development credit shall be twenty percent (20%) of the
13 federal research and development credit for the corresponding
14 tax year which is attributable to the qualifying research
15 activities conducted in Alabama. The credit shall be allowed
16 against the tax imposed by Chapter 18, Title 40 of the Code of
17 Alabama 1975.

18 Section 2. a) The provisions of this Act shall be
19 phased in over a period of five (5) adjustment years in equal
20 installments. An adjustment year is a tax year beginning on
21 or after January 1, following certification by the Alabama
22 Department of Finance (Finance) of sufficient (at least 3%)
23 estimated growth in the Education Trust Fund as described
24 below.

25 Phase one of implementation shall provide an Alabama
26 credit equal to four percent (4%) of the federal credit
27 attributable to Alabama activities, phase two shall provide

1 for eight percent (8%) of the federal credit attributable to
2 Alabama activities, and so forth until the credit is fully
3 phased into effect.

4 (b) Beginning with the 2011 regular session of the
5 Alabama Legislature, and on an annual basis thereafter until
6 the provisions of this Act are fully phased in, Finance shall
7 certify to the Alabama Department of Revenue (Revenue) that
8 the estimated growth in revenues in the Education Trust Fund
9 will or will not equal or exceed three percent (3%) in the
10 subsequent fiscal year. Finance shall provide written
11 certification to Revenue on or before the second legislative
12 day of each regular legislative session stating Finance's
13 estimate of revenue growth in the Education Trust Fund for the
14 subsequent fiscal year, as required in Code of Alabama 1975,
15 Section 41-19-7(b) (3). Upon receipt of the aforementioned
16 certification, Revenue will take the actions necessary to
17 implement the provisions of this Act.

18 Section 3. The provisions of this Act are severable.
19 If any part of this Act is declared invalid or
20 unconstitutional, that declaration shall not affect the part
21 which remains.

22 Section 4. All laws or parts of laws which conflict
23 with this Act are hereby repealed.

24 Section 5. This act shall become effective for the
25 tax years beginning on or after January 1, 2011.