

HB608 INTRODUCED



1 HB608

2 L5F52WY-1

3 By Representatives Lands, Daniels, Clarke, Drummond, Travis,
4 McClammy, Hollis, Hall, Jones, Lawrence, Ensler

5 RFD: Ways and Means Education

6 First Read: 10-Mar-26



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SYNOPSIS:

This bill would create the R&D Tax Credit Enhancement Act, which provides an income tax credit to certain organizations that invest in research and development; the creation of this act would be an effort to support innovation, commercialization, and job creation in priority sectors, including health sciences, biotechnology, and university-based research.

A BILL
TO BE ENTITLED
AN ACT

Relating to income tax credits; to establish the R&D Tax Credit Enhancement Act; to provide an income tax credit for universities, non-profit research institutes, and early-stage life sciences companies who invest in research and development; and to require the Department of Revenue to publish an annual report on the statistics of this program.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall be known as the R&D Tax Credit Enhancement Act.

Section 2. The Legislature finds and declares that the



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29 state needs a research and development tax credit program in
30 order to better support innovation, commercialization, and job
31 creation in priority sectors, including health sciences,
32 biotechnology, and university-based research.

33 Section 3. For the purposes of this act, the following
34 terms have the following meanings:

35 (1) COLLABORATIVE RESEARCH. Any research jointly funded
36 or carried out by any two or more academic institutions,
37 hospitals, clinical research organizations, or other qualified
38 research organizations.

39 (2) DEPARTMENT. The Department of Revenue.

40 (3) ELIGIBLE ACTIVITIES. Early-stage product or process
41 development, collaborative research projects, or clinical and
42 transitional research.

43 (4) ELIGIBLE BUSINESS. A business that contracts with a
44 qualified research organization for investment in research and
45 development.

46 (5) QUALIFIED RESEARCH EXPENSES. Includes wages,
47 contract research, equipment, clinical trial costs, and other
48 activities consistent with 26 U.S.C. § 41.

49 (6) QUALIFIED RESEARCH ORGANIZATION (QRO). Any
50 business, university, or non-profit entity conducting research
51 and development within the State of Alabama, including but not
52 limited to, C corporations, S corporations, limited liability
53 corporations, or 26 U.S.C. § 501(c)(3) nonprofits with
54 qualifying research expenses.

55 Section 4. (a) For tax years beginning on or after
56 January 1, 2027, and ending December 31, 2031, a QRO or an



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57 eligible business may claim the R&D tax credit against its
58 income tax liability for the increased expenditures invested
59 in qualified research expenses. The amount of the tax credit
60 shall be equal to 10 percent of the annual qualified research
61 expenses unless either of the following is applicable:

62 (1) For collaborative research conducted with in-state
63 academic institutions, the R&D tax credit shall be equal to 15
64 percent of the total cost of the collaborative research.

65 (2) QROs or eligible businesses that are either a
66 start-up firm, defined as having existed for three or fewer
67 years, or a small firm, defined as having fewer than 50
68 full-time employees, may elect a refundable two hundred fifty
69 thousand dollar (\$250,000) tax credit or a transferable credit
70 in place of the amounts provided in subsection (a).

71 (b) If the eligible QRO's income tax liability is less
72 than the tax credit amount, the difference may be carried
73 forward for up to five years.

74 (c) Except as provided in subsection (b), no R&D tax
75 credit provided by this act may be transferred or sold.

76 (d) The tax credit provided by this section shall be
77 limited to thirty million dollars (\$30,000,000) annually. In
78 the event the cap is reached, the Department of Revenue shall
79 review all applicants and award the tax credit in an amount
80 proportional to each entity's contribution to the overall
81 amount spent on qualifying research expenses.

82 (e) The Department of Revenue shall create a
83 streamlined application process for all QROs wishing to claim
84 a tax credit. The application must include the following:



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- 85 (1) Documentation of research expenditures.
- 86 (2) A description of activities and partners involved.
- 87 (3) Verification of in-state operations.
- 88 (4) The number of employees in the QRO.
- 89 (5) The date of creation of the QRO.
- 90 (f) The department shall publish an annual report
- 91 including the following information:
- 92 (1) The number of applications and tax credits issued.
- 93 (2) The total qualified research and development
- 94 investment supported.
- 95 (3) A sectoral and geographical distribution of tax
- 96 credit recipients.
- 97 Section 5. The department shall adopt rules necessary
- 98 to implement, administer, and facilitate this act.
- 99 Section 6. This act shall become effective on October
- 100 1, 2026.