AN ACT establishing an option to rebate the research and development tax credit against business profits taxes, and making an appropriation therefor.


COMMITTEE: Ways and Means

ANALYSIS

This bill allows a taxpayer the option to receive a rebate of the research and development tax credit against business profits taxes. The rebate is 75 percent of the amount of the credit awarded. The bill makes an appropriation to the commissioner of the department of revenue administration for the purposes of this bill.

Explanation: Matter added to current law appears in bold italics. Matter removed from current law appears [in brackets and struckthrough.] Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.
AN ACT establishing an option to rebate the research and development tax credit against business profits taxes, and making an appropriation therefor.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Business Profits Tax; Credit; Research and Development; Rebate. Amend the introductory paragraph of RSA 77-A:5, XIII(a)(2) to read as follows:

(2) Each credit shall be used to offset the taxpayer's tax liability within the subsequent 5 tax years, or rebated as provided in subparagraph (d). The amount of the credit shall be the lesser of:

2 New Subparagraph; Research and Development Credit; Rebate. Amend RSA 77-A:5, XIII by inserting after subparagraph (c) the following new subparagraph:

(d) When applying for the tax credit, a taxpayer may elect on the form provided by the department to not offset tax liability but instead receive a rebate equal to 75 percent of the final amount of the credit awarded by the commissioner. Any such discount in the credit shall not result in additional research and development credits under this paragraph for a fiscal year. Rebates shall be paid by the commissioner by September 30 of each year. Taxpayers may not take a partial rebate, but shall elect to take either the full rebate option or the tax credit. If a taxpayer elects to take a rebate, the rebate shall be made in the current tax year and not carried forward.

3 New Paragraph; Commissioner of Revenue Administration; Information. Amend RSA 21-J:3 by inserting after paragraph XXXIII the following new paragraph:

XXXIV. Have the authority to share information and statistics on the utilization of the research and development tax credit and optional rebate under RSA 77-A:5, XIII.

4 Appropriation. The sum of $1,000,000 for the fiscal year ending June 30, 2018 and $1,000,000 for the fiscal year ending June 30, 2019 are hereby appropriated to the commissioner of the department of revenue administration for the purposes of this act. The governor is authorized to draw a warrant for said sum out of any money in the treasury not otherwise appropriated.

5 Effective Date. This act shall take effect July 1, 2017 and shall apply to taxable periods ending after June 30, 2017.
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FISCAL IMPACT:  [ X ] State  [ ] County  [ ] Local  [ ] None

<table>
<thead>
<tr>
<th>STATE:</th>
<th>Estimated Increase / (Decrease)</th>
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<tbody>
<tr>
<td></td>
<td>FY 2018</td>
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<tr>
<td>Appropriation</td>
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<tr>
<td>Revenue</td>
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<td>Expenditures</td>
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<tr>
<td>Funding Source:</td>
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METHODOLOGY:

This bill allows a taxpayer to request a rebate equal to 75 percent of the final amount of credit awarded for the research and development tax credit in lieu of a credit being awarded. The bill appropriates $1,000,000 in FY 2018 and $1,000,000 in FY 2019 for the purpose of rebating the tax credit. The bill also amends the Department's confidentiality provision to provide the Department with the authority to share the information and statistics on the research and development tax credit. The Department determined based on the research and development tax credits awarded versus used in the 2013 and 2014 program years, approximately 17 percent of the tax credits are not claimed. If it is assumed 17 percent of the credits will not be claimed, then approximately $1,190,000 in FY 2018 tax credits will not be claimed ($7,000,000 tax credit limit * 17%). If it is further assumed that the unclaimed credit will be requested as a rebate, the fiscal impact would be $892,500 ($1,190,000 * 75%).

AGENCIES CONTACTED:

Department of Revenue Administration