

HB 1475 – AS INTRODUCED

2014 SESSION

14-2288  
10/03

HOUSE BILL            **1475**

AN ACT                relative to expanding the research and development tax credit against the business profits tax to be a reinvestment tax credit.

SPONSORS:            Rep. Itse, Rock 10; Rep. Hoell, Merr 23; Rep. C. McGuire, Merr 29; Rep. Keith Murphy, Hills 7; Rep. Sandblade, Hills 18

COMMITTEE:          Ways and Means

---

ANALYSIS

This bill revises the research and development tax credit against the business profits tax to be a credit for qualified reinvestment expenditures.

-----

Explanation:          Matter added to current law appears in ***bold italics***.  
                                Matter removed from current law appears [~~in brackets and struck through.~~]  
                                Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Fourteen*

AN ACT                   relative to expanding the research and development tax credit against the business profits tax to be a reinvestment tax credit.

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

1           1 Findings. The General Court recognizes that the research and development tax credit does not  
2 strictly comply with Part 2, Article 5 of the Constitution of the State of New Hampshire nor Part 1,  
3 Article 10 of the Constitution of the State of New Hampshire in that it does not afford equal benefit  
4 to all companies doing business in New Hampshire, because not all businesses are capable of  
5 reinvestment in the form of research and development. Therefore, for the purpose of complying with  
6 the Constitution and to promote commerce the research and development credit must be amended to  
7 provide for reinvestment tax credit.

8           2 Business Profits Tax; Research and Development Tax Credit Expanded. Amend RSA 77-A:5,  
9 XIII to read as follows:

10           XIII.(a) There shall be allowed a [~~research and development~~] **reinvestment** tax credit for  
11 qualified [~~manufacturing research and development~~] **reinvestment** expenditures made or incurred  
12 during the fiscal year, as follows:

13                   (1) The aggregate of tax credits issued by the commissioner to all taxpayers claiming  
14 the credit shall not exceed \$2,000,000 for any fiscal year.

15                   (2) Each credit shall be used to offset the taxpayer's tax liability within the  
16 subsequent 5 tax years. The amount of the credit shall be the lesser of:

17                           (A) Ten percent of the [~~excess of the~~] qualified [~~manufacturing research and~~  
18 ~~development expenses~~] **reinvestment expenditures** for the taxable year [~~over the base amount~~];

19                           (B) The proportional share of the maximum aggregate credit amount allowed in  
20 subparagraph (1);

21                           (C) \$50,000.

22                   (3) Taxpayers shall apply for the tax credit on forms provided by the commissioner  
23 and shall be accompanied by information or records required by the commissioner. Such application  
24 shall be postmarked no later than June 30 following the tax year during which [~~research and~~  
25 ~~development~~] **reinvestment** occurred.

26                   (4) A determination on the final amount of the credit awarded by the commissioner  
27 to each taxpayer claiming the credit shall be made no later than September 30 of each year.

28                   (5) Wages for which a credit is taken under this paragraph shall not also be eligible  
29 for a credit under RSA 162-N.

30                   (b) For purposes of this paragraph, **qualified reinvestment expenditures means:**

**HB 1475 – AS INTRODUCED**  
**- Page 2 -**

1                   (1) [~~The term “qualified manufacturing research and development expenditures”~~  
2 ~~shall mean solely any~~] Wages paid or incurred to an employee of the business organization for  
3 services rendered by such employee within this state within the meaning of RSA 77-A:3; I(b),  
4 provided that:

5                   (A) Such wages shall be treated as wages for qualified research expenses under  
6 section 41(b) of the United States Internal Revenue Code.

7                   (B) Such services are undertaken for the purpose of discovering information  
8 which constitutes qualified research and development of a new or improved manufacturing process  
9 or business component of the business organization.

10                  (C) The wages qualify and are reported as a credit by the business organization  
11 under section 41 of the United States Internal Revenue Code as defined in RSA 77-A:1, XX.

12                  (D) The wages are reported by the business organization in the enterprise value  
13 tax base under RSA 77-E.

14                  [~~(2) “Base amount” shall mean the base amount of expenditure as defined under~~  
15 ~~section 41 of the United States Internal Revenue Code as defined by RSA 77 A:1, XX, except that the~~  
16 ~~minimum base amount may be 0.~~]

17                  (2) *Capital investments made in the business or enterprise to increase or*  
18 *expand production or services.*

19                  (3) *Sums expended on stock buyback or repurchase of outstanding shares.*

20                  (4) *Costs for merger or acquisition of another business entity.*

21                  (c) A unitary business or an enterprise consisting of one or more taxpayers under this  
22 chapter shall be considered a single taxpayer for purposes of claiming the credit under this  
23 paragraph.

24                  3 Business Enterprise Tax; Reference Changed. Amend RSA 77-E:3-b to read as follows:

25                  77-E:3-b Credit for [~~Research and Development~~] **Reinvestment**. The unused portion of any  
26 [~~research and development~~] **reinvestment** credit awarded by the commissioner under RSA 77-A:5,  
27 XIII shall be available to apply to the business enterprise tax.

28                  4 Repeal RSA 162-P, relative to a report on the research and development tax credit program, is  
29 repealed.

30                  5 Effective Date. This act shall take effect July 1, 2014.