

109TH CONGRESS  
1ST SESSION

# H. R. 1736

To amend the Internal Revenue Code of 1986 to permanently extend the research credit, to increase the rates of the alternative incremental credit, and to provide an alternative simplified credit for qualified research expenses.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 20, 2005

Mrs. JOHNSON of Connecticut (for herself, Mr. CARDIN, Mr. SHAW, Mr. LEVIN, Mr. HERGER, Mr. CAMP, Mr. RAMSTAD, Mr. SAM JOHNSON of Texas, Mr. MCDERMOTT, Mr. NEAL of Massachusetts, Mr. ENGLISH of Pennsylvania, Mr. JEFFERSON, Mr. HAYWORTH, Mr. WELLER, Mr. HULSHOF, Mr. REYNOLDS, Mr. LEWIS of Kentucky, Mr. BECERRA, Mr. FOLEY, Mr. POMEROY, Mr. BRADY of Texas, Mr. CANTOR, Mrs. JONES of Ohio, Mr. CHOCOLA, Mr. LARSON of Connecticut, Ms. HART, Mr. BEAUPREZ, Mr. EMANUEL, Mr. SIMMONS, Mr. GORDON, Mr. SOUDER, Mr. UDALL of Colorado, Mr. EHLERS, Mr. KUHL of New York, Mr. JOHNSON of Illinois, Mr. MCHENRY, Mr. SESSIONS, Mr. FERGUSON, Miss MCMORRIS, Mr. LANTOS, Mr. BLUMENAUER, Mr. CROWLEY, Mr. WAXMAN, Mr. ETHERIDGE, Mr. RUPPERSBERGER, Mr. HASTINGS of Florida, Mr. MEEK of Florida, Mr. WESTMORELAND, Mr. SWEENEY, Mr. MENENDEZ, Mr. HAYES, Mr. PRICE of North Carolina, Mr. GOODLATTE, Mrs. MUSGRAVE, Mr. CANNON, Mr. HONDA, Mr. SHERMAN, and Mr. MORAN of Virginia) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to permanently extend the research credit, to increase the rates of the alternative incremental credit, and to provide an alternative simplified credit for qualified research expenses.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Investment in America  
5 Act of 2005”.

6 **SEC. 2. FINDINGS.**

7       The Congress finds as follows:

8           (1) Research and development performed in the  
9       United States results in quality jobs, better and  
10      safer products, increased ownership of technology-  
11      based intellectual property, and higher productivity  
12      in the United States.

13          (2) The extent to which companies perform and  
14      increase research and development activities in the  
15      United States is in part dependent on Federal tax  
16      policy.

17          (3) The Congress should make permanent a re-  
18      search and development credit that provides a mean-  
19      ingful incentive to all types of taxpayers.

20 **SEC. 3. PERMANENT EXTENSION OF RESEARCH CREDIT.**

21      (a) IN GENERAL.—Section 41 of the Internal Rev-  
22      enue Code of 1986 (relating to credit for increasing re-  
23      search activities) is amended by striking subsection (h).

1 (b) CONFORMING AMENDMENT.—Paragraph (1) of  
2 section 45C(b) of such Code is amended by striking sub-  
3 paragraph (D).

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to amounts paid or incurred after  
6 the date of the enactment of this Act.

7 **SEC. 4. INCREASE IN RATES OF ALTERNATIVE INCRE-**  
8 **MENTAL CREDIT.**

9 (a) IN GENERAL.—Subparagraph (A) of section  
10 41(c)(4) of the Internal Revenue Code of 1986 (relating  
11 to election of alternative incremental credit) is amended—

12 (1) by striking “2.65 percent” and inserting “3  
13 percent”,

14 (2) by striking “3.2 percent” and inserting “4  
15 percent”, and

16 (3) by striking “3.75 percent” and inserting “5  
17 percent”.

18 (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall apply to taxable years ending after the  
20 date of the enactment of this Act.

21 **SEC. 5. ALTERNATIVE SIMPLIFIED CREDIT FOR QUALIFIED**  
22 **RESEARCH EXPENSES.**

23 (a) IN GENERAL.—Subsection (c) of section 41 of the  
24 Internal Revenue Code of 1986 (relating to base amount)  
25 is amended by redesignating paragraphs (5) and (6) as

1 paragraphs (6) and (7), respectively, and by inserting  
2 after paragraph (4) the following new paragraph:

3 “(5) ELECTION OF ALTERNATIVE SIMPLIFIED  
4 CREDIT.—

5 “(A) IN GENERAL.—At the election of the  
6 taxpayer, the credit determined under sub-  
7 section (a)(1) shall be equal to 12 percent of so  
8 much of the qualified research expenses for the  
9 taxable year as exceeds 50 percent of the aver-  
10 age qualified research expenses for the 3 tax-  
11 able years preceding the taxable year for which  
12 the credit is being determined.

13 “(B) SPECIAL RULE IN CASE OF NO  
14 QUALIFIED RESEARCH EXPENSES IN ANY OF 3  
15 PRECEDING TAXABLE YEARS.—

16 “(i) TAXPAYERS TO WHICH SUBPARA-  
17 GRAPH APPLIES.—The credit under this  
18 paragraph shall be determined under this  
19 subparagraph if the taxpayer has no quali-  
20 fied research expenses in any one of the 3  
21 taxable years preceding the taxable year  
22 for which the credit is being determined.

23 “(ii) CREDIT RATE.—The credit de-  
24 termined under this subparagraph shall be

1 equal to 6 percent of the qualified research  
2 expenses for the taxable year.

3 “(C) ELECTION.—An election under this  
4 paragraph shall apply to the taxable year for  
5 which made and all succeeding taxable years  
6 unless revoked with the consent of the Sec-  
7 retary. An election under this paragraph may  
8 not be made for any taxable year to which an  
9 election under paragraph (4) applies.”.

10 (b) COORDINATION WITH ELECTION OF ALTER-  
11 NATIVE INCREMENTAL CREDIT.—

12 (1) IN GENERAL.—Section 41(c)(4)(B) of such  
13 Code (relating to election) is amended by adding at  
14 the end the following: “An election under this para-  
15 graph may not be made for any taxable year to  
16 which an election under paragraph (5) applies.”.

17 (2) TRANSITION RULE.—In the case of an elec-  
18 tion under section 41(c)(4) of the Internal Revenue  
19 Code of 1986 which applies to the taxable year  
20 which includes the date of the enactment of this Act,  
21 such election shall be treated as revoked with the  
22 consent of the Secretary of the Treasury if the tax-  
23 payer makes an election under section 41(c)(5) of  
24 such Code (as added by subsection (a)) for such  
25 year.

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after the  
3 date of the enactment of this Act.

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