

STATE OF OKLAHOMA

1st Session of the 46th Legislature (1997)

HOUSE BILL NO. 2176

By: Webb

AS INTRODUCED

An Act relating to revenue and taxation; providing income tax credit for investments in qualified research and development; providing for amount of credit; providing definitions and qualifications; providing maximum amount of credit and permitting carryforward; providing for Oklahoma Tax Commission to promulgate certain rules; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.26 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. For tax years beginning after December 31, 1997, there shall be allowed as a credit against the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes for qualified research and development expenses. The amount of the credit shall equal twenty percent (20%) of the qualified research and development expenses during the taxable year.

B. For purposes of this section:

1. "Qualified research and development expenses" means the sum of the following amounts which are paid or incurred by the taxpayer during the taxable year in carrying on any trade or business of the taxpayer:

- a. in-house research expenses, and
- b. contract research expenses;

2. "In-house research expenses" means:

- a. any wages paid or incurred to an employee for qualified services performed by the employee,
- b. any amount paid or incurred for supplies used in the conduct of qualified research, and
- c. any amount paid or incurred to another person for the right to use computers in the conduct of qualified research. This subparagraph shall not apply to any amount received by the taxpayer from another person for the right to use substantially identical personal property;

3. "Qualified services" means services consisting of engaging in qualified research, or engaging in the direct supervision or direct support of research activities which constitute qualified research;

4. "Supplies" means any tangible personal property;

5. "Contract research expenses" means sixty-five percent (65%) of any amount paid or incurred by the taxpayer to any person other than an employee of the taxpayer for qualified research;

6. "Qualified research" means research which is undertaken for the purpose of discovering information which is technological in nature and the application of which is intended to be useful in the development of a new or improved business component of the taxpayer. "Qualified research" shall include a new or improved function, performance, or reliability or quality, but shall not be treated as conducted for a purpose described in this section if it relates to

style, taste, cosmetic, or seasonal design factors. "Qualified research" shall not include:

- a. research after commercial production,
- b. adaptation of existing business components,
- c. duplication of existing business components,
- d. surveys, studies, market research, testing, routine data collection, activities relating to management functions or techniques, or quality control,
- e. computer software, except if developed by the taxpayer primarily for internal use by the taxpayer,
- f. research conducted outside this state,
- g. social sciences, arts, or humanities, and
- h. research funded by any grant, contract, or otherwise funded by another person; and

7. "Business component" means any product, process, computer software, technique, formula, or invention which is to be held for sale, lease, or license, or used by the taxpayer in a trade or business of the taxpayer.

C. The credit shall not exceed the tax liability of the taxpayer, but may be carried forward for a period not to exceed five (5) years. The Oklahoma Tax Commission shall promulgate any necessary rules to implement this credit.

SECTION 2. This act shall become effective January 1, 1998.

46-1-5474

JAF