

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4438

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## AN ACT

To amend the Internal Revenue Code of 1986 to simplify  
and make permanent the research credit.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “American Research  
3 and Competitiveness Act of 2014”.

4 **SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-**  
5 **NENT.**

6 (a) IN GENERAL.—Subsection (a) of section 41 of the  
7 Internal Revenue Code of 1986 is amended to read as fol-  
8 lows:

9 “(a) IN GENERAL.—For purposes of section 38, the  
10 research credit determined under this section for the tax-  
11 able year shall be an amount equal to the sum of—

12 “(1) 20 percent of so much of the qualified re-  
13 search expenses for the taxable year as exceeds 50  
14 percent of the average qualified research expenses  
15 for the 3 taxable years preceding the taxable year  
16 for which the credit is being determined,

17 “(2) 20 percent of so much of the basic re-  
18 search payments for the taxable year as exceeds 50  
19 percent of the average basic research payments for  
20 the 3 taxable years preceding the taxable year for  
21 which the credit is being determined, plus

22 “(3) 20 percent of the amounts paid or in-  
23 curred by the taxpayer in carrying on any trade or  
24 business of the taxpayer during the taxable year (in-  
25 cluding as contributions) to an energy research con-  
26 sortium for energy research.”.

1 (b) REPEAL OF TERMINATION.—Section 41 of such  
2 Code is amended by striking subsection (h).

3 (c) CONFORMING AMENDMENTS.—

4 (1) Subsection (c) of section 41 of such Code  
5 is amended to read as follows:

6 “(c) DETERMINATION OF AVERAGE RESEARCH EX-  
7 PENSES FOR PRIOR YEARS.—

8 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED  
9 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING  
10 TAXABLE YEARS.—In any case in which the taxpayer  
11 has no qualified research expenses in any one of the  
12 3 taxable years preceding the taxable year for which  
13 the credit is being determined, the amount deter-  
14 mined under subsection (a)(1) for such taxable year  
15 shall be equal to 10 percent of the qualified research  
16 expenses for the taxable year.

17 “(2) CONSISTENT TREATMENT OF EX-  
18 PENSES.—

19 “(A) IN GENERAL.—Notwithstanding  
20 whether the period for filing a claim for credit  
21 or refund has expired for any taxable year  
22 taken into account in determining the average  
23 qualified research expenses, or average basic re-  
24 search payments, taken into account under sub-  
25 section (a), the qualified research expenses and

1 basic research payments taken into account in  
2 determining such averages shall be determined  
3 on a basis consistent with the determination of  
4 qualified research expenses and basic research  
5 payments, respectively, for the credit year.

6 “(B) PREVENTION OF DISTORTIONS.—The  
7 Secretary may prescribe regulations to prevent  
8 distortions in calculating a taxpayer’s qualified  
9 research expenses or basic research payments  
10 caused by a change in accounting methods used  
11 by such taxpayer between the current year and  
12 a year taken into account in determining the  
13 average qualified research expenses or average  
14 basic research payments taken into account  
15 under subsection (a).”.

16 (2) Section 41(e) of such Code is amended—

17 (A) by striking all that precedes paragraph  
18 (6) and inserting the following:

19 “(e) BASIC RESEARCH PAYMENTS.—For purposes of  
20 this section—

21 “(1) IN GENERAL.—The term ‘basic research  
22 payment’ means, with respect to any taxable year,  
23 any amount paid in cash during such taxable year  
24 by a corporation to any qualified organization for  
25 basic research but only if—

1           “(A) such payment is pursuant to a writ-  
2           ten agreement between such corporation and  
3           such qualified organization, and

4           “(B) such basic research is to be per-  
5           formed by such qualified organization.

6           “(2) EXCEPTION TO REQUIREMENT THAT RE-  
7           SEARCH BE PERFORMED BY THE ORGANIZATION.—  
8           In the case of a qualified organization described in  
9           subparagraph (C) or (D) of paragraph (3), subpara-  
10          graph (B) of paragraph (1) shall not apply.”,

11           (B) by redesignating paragraphs (6) and  
12           (7) as paragraphs (3) and (4), respectively, and

13           (C) in paragraph (4) as so redesignated,  
14           by striking subparagraphs (B) and (C) and by  
15           redesignating subparagraphs (D) and (E) as  
16           subparagraphs (B) and (C), respectively.

17          (3) Section 41(f)(3) of such Code is amended—

18           (A)(i) by striking “, and the gross re-  
19           ceipts” in subparagraph (A)(i) and all that fol-  
20           lows through “determined under clause (iii)”,

21           (ii) by striking clause (iii) of subparagraph  
22           (A) and redesignating clauses (iv), (v), and (vi),  
23           thereof, as clauses (iii), (iv), and (v), respec-  
24           tively,

1 (iii) by striking “and (iv)” each place it  
2 appears in subparagraph (A)(iv) (as so redesignated)  
3 and inserting “and (iii)”,

4 (iv) by striking subclause (IV) of subparagraph  
5 (A)(iv) (as so redesignated), by striking  
6 “, and” at the end of subparagraph (A)(iv)(III)  
7 (as so redesignated) and inserting a period, and  
8 by adding “and” at the end of subparagraph  
9 (A)(iv)(II) (as so redesignated),

10 (v) by striking “(A)(vi)” in subparagraph  
11 (B) and inserting “(A)(v)”, and

12 (vi) by striking “(A)(iv)(II)” in subparagraph  
13 (B)(i)(II) and inserting “(A)(iii)(II)”,

14 (B) by striking “, and the gross receipts of  
15 the predecessor,” in subparagraph (A)(iv)(II)  
16 (as so redesignated),

17 (C) by striking “, and the gross receipts  
18 of,” in subparagraph (B),

19 (D) by striking “, or gross receipts of,” in  
20 subparagraph (B)(i)(I), and

21 (E) by striking subparagraph (C).

22 (d) EFFECTIVE DATE.—

23 (1) IN GENERAL.—Except as provided in para-  
24 graph (2), the amendments made by this section

1 shall apply to taxable years beginning after Decem-  
2 ber 31, 2013.

3 (2) SUBSECTION (b).—The amendment made  
4 by subsection (b) shall apply to amounts paid or in-  
5 curred after December 31, 2013.

6 **SEC. 3. PAYGO SCORECARD.**

7 (a) PAYGO SCORECARD.—The budgetary effects of  
8 this Act shall not be entered on either PAYGO scorecard  
9 maintained pursuant to section 4(d) of the Statutory Pay-  
10 As-You-Go Act of 2010.

11 (b) SENATE PAYGO SCORECARD.—The budgetary ef-  
12 fects of this Act shall not be entered on any PAYGO score-  
13 card maintained for purposes of section 201 of S. Con.  
14 Res. 21 (110th Congress).

Passed the House of Representatives May 9, 2014.

Attest:

*Clerk.*

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