

103D CONGRESS
1ST SESSION

S. 394

To amend the Internal Revenue Code of 1986 to allow a credit for payments or contributions to certain cooperative research organizations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 18 (legislative day, JANUARY 5), 1993

Mr. LIEBERMAN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit for payments or contributions to certain cooperative research organizations, and for other purposes.

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. CREDIT FOR PAYMENTS OR CONTRIBUTIONS**
4 **TO CERTAIN COOPERATIVE RESEARCH ORGA-**
5 **NIZATIONS.**

6 (a) ALLOWANCE OF RESEARCH CREDIT.—Section
7 41(a) of the Internal Revenue Code of 1986 (relating to
8 credit for increasing research activities) is amended by
9 striking “and” at the end of paragraph (1), by striking

1 the period at the end of paragraph (2) and inserting “,
 2 and”, and by adding at the end the following new para-
 3 graph:

4 “(3) 50 percent of the qualified cooperative re-
 5 search expenditures (as defined in subsection (h))
 6 for the taxable year.

7 (b) QUALIFIED COOPERATIVE RESEARCH EXPENDI-
 8 TURES DEFINED.—Section 41 of such Code is amended
 9 by redesignating subsection (h) as subsection (i) and by
 10 adding after subsection (g) the following new subsection:

11 “(h) QUALIFIED COOPERATIVE RESEARCH EXPENDI-
 12 TURES.—For purposes of this section—

13 “(1) IN GENERAL.—The term ‘qualified cooper-
 14 ative research expenditures’ means the aggregate
 15 amount of qualified contributions to qualified coop-
 16 erative research consortia for qualified research.

17 “(2) QUALIFIED CONTRIBUTIONS.—For pur-
 18 poses of this subsection—

19 “(A) IN GENERAL.—Subject to the limita-
 20 tions of subparagraphs (B), (C), and (D), the
 21 term ‘qualified contributions’ means all con-
 22 tributions to qualified cooperative research con-
 23 sortia for qualified research with respect to
 24 which the taxpayer elects to have this sub-
 25 section apply.

1 “(B) PRIVATE SOURCE FUNDING LIMITA-
2 TION.—

3 “(i) IN GENERAL.—Qualified con-
4 tributions of a taxpayer shall not exceed
5 the amount which bears the same ratio to
6 qualified contributions (determined without
7 regard to this subparagraph) as the private
8 source funding ratio.

9 “(ii) PRIVATE SOURCE FUNDING
10 RATIO.—For purposes of clause (i), the
11 private source funding ratio is the sum
12 of—

13 “(I) 50 percent of the ratio which
14 the gross receipts of the organization
15 (not including the amount of any gov-
16 ernmental support) for the preceding
17 taxable year bears to the total gross
18 receipts of the organization for such
19 taxable year, plus

20 “(II) 30 percent of such ratio for
21 the second preceding taxable year,
22 plus

23 “(III) 20 percent of such ratio
24 for the third preceding taxable year.

1 “(C) LIMITATIONS.—For purposes of this
2 subsection, the following shall not be taken into
3 account in determining qualified contributions:

4 “(i) Contributions representing costs
5 allocated to services performed by a tax-
6 payer’s employees to the extent they exceed
7 cash contributions.

8 “(ii) Contributions representing over-
9 head allocated to services performed by a
10 taxpayer’s employees to the extent such
11 overhead exceeds 25 percent of the salary
12 and benefit amounts allocated to such serv-
13 ices.

14 “(iii) Contributions by a taxpayer to a
15 qualified cooperative research consortium
16 to the extent they exceed one-third of the
17 consortium’s total nongovernmental sup-
18 port for the consortium’s taxable year with
19 or within which the taxpayer’s taxable year
20 ends.

21 “(D) CONSORTIUM WITH FEWER THAN 5
22 PARTICIPANTS.—If a qualified cooperative re-
23 search consortium has less than 5 persons mak-
24 ing nongovernmental contributions, the quali-
25 fied contributions of each such person (deter-

1 mined without regard to this subparagraph or
2 subparagraph (B)) shall be reduced—

3 “(i) by 20 percent if there are 4 such
4 persons, or

5 “(ii) by 40 percent if there are 3 such
6 persons.

7 “(3) QUALIFIED COOPERATIVE RESEARCH CON-
8 SORTIUM.—The term ‘qualified cooperative research
9 consortium’ means any organization—

10 “(A) which is registered under the Na-
11 tional Cooperative Research Act of 1984, but
12 only if such registration has been published
13 (and is in effect) on the last day of the organi-
14 zation’s taxable year with or within which the
15 taxpayer’s taxable year ends, and

16 “(B) which during such taxable year—

17 “(i) had at least 5 contributors, but
18 only if—

19 “(I) no 3 members contributed
20 more than 80 percent of total non-
21 governmental contributions, and

22 “(II) no single member contrib-
23 uted more than 50 percent of total
24 nongovernmental contributions, or

1 “(ii) had either 3 or 4 contributors,
2 but only if—

3 “(I) no single member contrib-
4 uted more than 50 percent (and no 2
5 members contributed more than 85
6 percent) of the total nongovernmental
7 contributions, and

8 “(II) the contributors are en-
9 gaged in the same trade or business.

10 “(4) SPECIAL RULES.—For purposes of this
11 subsection—

12 “(A) NONCASH CONTRIBUTIONS.—Quali-
13 fied contributions other than cash (including
14 services provided by a taxpayer’s employees)
15 shall be taken into account at their cost (or
16 such other basis determined under regulations).

17 “(B) OVERHEAD.—The cost of services
18 provided by a taxpayer’s employees shall include
19 overhead properly allocable to such services.

20 “(5) NO DOUBLE BENEFIT.—Amounts taken
21 into account under this subsection in computing
22 qualified cooperative research expenditures shall not
23 be taken into account under subsection (a) (1) or
24 (2).

1 “(6) PREPAID AMOUNTS.—If any contributions
2 paid or incurred during the taxable year to qualified
3 cooperative research consortia are attributable to
4 qualified research to be conducted after the close of
5 the taxable year, such amount shall be treated as
6 paid or incurred during the period which the quali-
7 fied research is conducted.

8 “(7) REPORTS.—Each qualified cooperative re-
9 search consortium shall provide to the Secretary a
10 report containing—

11 “(A) its certification as such an organiza-
12 tion,

13 “(B) its private source funding ratio, and

14 “(C) such other information as the Sec-
15 retary may require.

16 Each consortium shall provide a copy of the report
17 to each contributor.”

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

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