

By: Representatives Smith (39th), Dixon

To: Ways and Means;  
Universities and Colleges

HOUSE BILL NO. 1531  
(As Passed the House)

1 AN ACT TO PROVIDE AN INCOME TAX CREDIT FOR TAXPAYERS THAT  
2 MAKE PAYMENTS FOR RESEARCH COSTS PURSUANT TO RESEARCH AGREEMENTS  
3 WITH COLLEGES, GOVERNMENTAL ENTITIES OF THIS STATE AND RESEARCH  
4 CORPORATIONS; TO DEFINE CERTAIN TERMS FOR THE PURPOSES OF THIS  
5 ACT; TO PROVIDE FOR THE AMOUNT OF THE CREDIT AUTHORIZED IN THIS  
6 ACT; AND FOR RELATED PURPOSES.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

8 **SECTION 1.** This act shall be known and may be cited as the  
9 "College Private Research Incentive Act."

10 **SECTION 2.** (1) The following words and phrases shall have  
11 the meanings ascribed in this section unless the context clearly  
12 requires otherwise:

13 (a) "Business component" means any product, process,  
14 computer software, technique, formula, or invention which is to  
15 be:

- 16 (i) Held for sale, lease, or license, or
  - 17 (ii) Used by the taxpayer in a trade or business
- 18 of the taxpayer.

19 (b) "College" means any college or university located  
20 in Mississippi and accredited by the Southern Association of  
21 Colleges and Schools.

22 (c) "Qualified research" means:

- 23 (i) 1. Research that is undertaken for the
- 24 purpose of discovering information:
  - 25 a. That is technological in nature, and
  - 26 b. The application of which is intended
  - 27 to be useful in the development of a new or improved business
  - 28 component of the taxpayer; and



29                   2. Substantially all of the activities of  
30 which constitute elements of a process of experimentation for a  
31 purpose described in item 3 of this subparagraph.

32                   3. Research shall be treated as conducted for  
33 a purpose described in this subparagraph if it relates to:

- 34                   a. A new or improved function,
- 35                   b. Performance, or
- 36                   c. Reliability or quality.

37 Research shall not be treated as conducted for a purpose described  
38 in this subparagraph if it relates to style, taste, cosmetic, or  
39 seasonal design factors.

40                   (ii) The term "qualified research" shall not  
41 include any of the following:

42                   1. Research related to the adaptation of an  
43 existing business component to a particular customer's requirement  
44 or need;

45                   2. Research related to the reproduction of an  
46 existing business component (in whole or in part) from a physical  
47 examination of the business component itself or from plans,  
48 blueprints, detailed specifications, or publicly available  
49 information with respect to such business component;

50                   3. Any:

- 51                   a. Efficiency survey,
- 52                   b. Activity relating to management  
53 function or technique,
- 54                   c. Market research, testing or  
55 development (including advertising or promotions),
- 56                   d. Routine data collection, or
- 57                   e. Routine or ordinary testing or  
58 inspection for quality control;

59                   4. Research with respect to computer software  
60 which is developed by (or for the benefit of) the taxpayer  
61 primarily for internal use by the taxpayer, other than for use in:



62 a. An activity that constitutes  
63 qualified research, or  
64 b. A production process with respect to  
65 which the requirements of subparagraph (i) of this paragraph are  
66 met;

67 5. Research conducted outside the State of  
68 Mississippi; or

69 6. Research to the extent funded by any  
70 grant, contract, or otherwise by another person or governmental  
71 entity.

72 (d) "Research agreement" means a written contract,  
73 grant, or cooperative agreement entered into between a taxpayer  
74 and a college, governmental entity of the State of Mississippi or  
75 research corporation for the performance of qualified research.

76 (e) "Research corporation" means any research  
77 corporation formed under Section 37-147-15, if the corporation is  
78 wholly owned by a college and all income and profits of the  
79 corporation inure to the benefit of the college.

80 (f) "Research costs" means payments made to a college,  
81 a governmental entity of the State of Mississippi or research  
82 corporation according to a research agreement.

83 (g) "State" means the State of Mississippi or a  
84 governmental entity thereof.

85 (2) (a) (i) Subject to the provisions of subparagraph (ii)  
86 of this paragraph, during each taxable year a taxpayer may earn  
87 and apply for and, if such application is approved by the  
88 Department of Revenue, be granted a credit (hereinafter referred  
89 to as a "College Private Research tax credit") which may be  
90 applied by the taxpayer against any income tax liability owed by  
91 the taxpayer under Section 27-7-1 et seq. The credit shall be  
92 equal to seven percent (7%) of the amount of research costs paid  
93 by the taxpayer to a college and/or the state pursuant to a  
94 written research agreement.



95 (ii) 1. A College Private Research tax credit  
96 shall be allowed against the income tax owed by a taxpayer for the  
97 taxable year in which the credit is earned.

98 2. The amount of the tax credit applied by a  
99 taxpayer in a taxable year shall not exceed the total tax  
100 liability of the taxpayer for such taxes for that taxable year  
101 reduced by the sum of all other credits allowable to such  
102 taxpayer, except credit for tax payments made by or on behalf of  
103 the taxpayer. If the tax credit allowed under this section  
104 exceeds the total tax liability of the taxpayer for such taxes,  
105 then any unused credit may be carried forward by the taxpayer as a  
106 credit against subsequent tax liability for a period not to exceed  
107 five (5) taxable years.

108 3. In the case of an individual who:  
109 a. Owns an interest in an unincorporated  
110 trade or business,  
111 b. Is a partner in a partnership,  
112 c. Is a beneficiary of an estate or  
113 trust, or  
114 d. Is a shareholder in an S corporation,  
115 the amount of the tax credit allowed for a taxable year shall not  
116 exceed an amount (separately computed with respect to such  
117 person's interest in such trade or business or entity) equal to  
118 the amount of tax attributable to that portion of a person's  
119 taxable income which is allocable or apportionable to the person's  
120 interest in such trade or business entity. If the amount of the  
121 tax credit for a taxable year exceeds the limitation provided in  
122 this item 3, then any unused credit may be carried forward by the  
123 taxpayer as a credit against subsequent tax liability for a period  
124 not to exceed five (5) years.

125 (b) To qualify for a College Private Research tax  
126 credit, the taxpayer must:



127 (i) Submit an application to the Department of  
128 Revenue on a form prescribed by the department;

129 (ii) Pay an application fee of Two Hundred Dollars  
130 (\$200.00); and

131 (iii) Prove to the satisfaction of the Department  
132 of Revenue that the taxpayer has incurred research costs according  
133 to a research agreement, or any amendment thereto, executed on or  
134 after July 1, 2012.

135 (c) The Department of Revenue may audit an applicant in  
136 order to verify the applicant's eligibility for the College  
137 Private Research tax credit.

138 (3) The Department of Revenue shall implement and administer  
139 the provisions of this section. The Department of Revenue shall  
140 adopt and promulgate such rules and regulations, in compliance  
141 with the Mississippi Administrative Procedures Law, as are  
142 necessary for the efficient and effective administration of this  
143 section in keeping with the purposes for which it is enacted.  
144 Such rules shall include provisions for (a) the Department of  
145 Revenue to certify the eligibility of an applicant for receipt of  
146 the College Private Research tax credit and the qualification of a  
147 claimant to claim the credit against income tax and (b) the  
148 presentation of an applicant's eligibility certification and any  
149 other documentation required to apply for and earn or claim a  
150 credit.

151 **SECTION 3.** This act shall take effect and be in force from  
152 and after July 1, 2012.

