Life Sciences Law Blog

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Proposed Tax Incentives for Life Sciences Research

By Matthew Richardson

A bill was recently introduced in the House of Representatives that would provide significant tax incentives for life sciences research.

Under current law, a 20% tax credit is available for spending on qualified research in excess of a specified base amount, subject to a number of limitations and special rules. Under H.R. 6165, which was introduced last week, this research tax credit would be doubled (to 40%) in the case of "qualified life sciences research." The bill also doubles the elective "alternative simplified credit" for qualified life sciences research (an alternative method of calculating the research tax credit).

"Qualified life sciences research" is defined to mean qualified research with respect to the branch of knowledge or study of biology, biochemistry, biophysics, bioengineering, microbiology, genetics or physiology (relating to humans), but not sociology or psychology.

H.R. 6165 also would allow an electing US corporation to deduct from income 100% of the cash dividends received from controlled foreign corporations (subject to certain dollar limitations), provided that the US corporation invests the cash dividend in the US for the sole purpose of (i) new hiring of additional scientists, researchers and comparable personnel in qualified life sciences research, (ii) payments to universities, qualified research incubators and other qualified organizations in the conduct of qualified life sciences research, or (iii) building or leasing new facilities to be used in the conduct of qualified life sciences research. Electing US corporations would not be entitled to the 40% research tax credit discussed above, nor would electing US corporations be allowed a foreign tax credit or deduction for taxes paid or accrued with respect to any such dividend.

This new tax incentive generally would continue through the end of 2015.

The bill has been referred to the House Ways and Means Committee.

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