

## S.F. No. 930 – R&D credit calculation modification

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The Minnesota research and development (R&D) credit is calculated using current year qualified research expenses over a base amount. The current year expenses must be greater than the base amount to qualify for the credit. The base amount equals the greater of:

- 50 percent of current-year Minnesota R&D expenses; or
- the “fixed base percentage,” which equals:  
average Minnesota gross receipts over the prior four years  
multiplied by  
total Minnesota R&D expenditures for years 1984-1988  
divided by  
total Minnesota gross receipts for 1984-1988.

The fixed base percentage cannot exceed 16 percent.

The credit has a two tier structure: (1) ten percent of the first \$2 million of qualified research expenses resulting from this calculation; and (2) four percent of qualified research expenses over \$2 million.

**Section 1. Credit allowed.** Offers an alternative simplified credit election of 6 percent of qualified research expenses over the base amount, instead of claiming the credit under the two-tiered structure. Effective beginning in tax year 2021.

**Section 2. Definitions.** Modifies the definition of “base amount” for taxpayers making the alternative simplified credit election. Under this section, the base amount equals 50 percent of average qualified research expenses over the three taxable years preceding the tax year in which the credit is claimed. Effective beginning in tax year 2021.

**Section 3. Alternative simplified credit election.** Allows taxpayers eligible for the credit to make the alternative simplified credit election for a taxable year. The election is revocable without commissioner approval but the taxpayer is then precluded from making the election for the next five taxable years. Effective beginning in tax year 2021.