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**PRELIMINARY DRAFT  
No. 3137**

**PREPARED BY  
LEGISLATIVE SERVICES AGENCY  
2005 GENERAL ASSEMBLY**

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DIGEST

**Citations Affected:** IC 6-3.1-4.

**Synopsis:** Enterprise zone incentives. Provides that a taxpayer is entitled to a 30% credit for research expenses incurred in an enterprise zone that exceed the taxpayer's research expenses incurred in the enterprise zone in 2005. Provides that the credit may be claimed in addition to the research expense credit for research expenses that are not incurred in an enterprise zone.

**Effective:** January 1, 2006.



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A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-3.1-4-1 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 1. As used in this  
3 chapter:

4 "Base amount" means base amount (as defined in Section 41(c) of  
5 the Internal Revenue Code as in effect on January 1, 2001).

6 "Base period Indiana qualified research expense" means base period  
7 research expense that is incurred for research conducted in Indiana.

8 "Base period research expense" means base period research expense  
9 (as defined in Section 41(c) of the Internal Revenue Code before  
10 January 1, 1990).

11 **"Base year enterprise zone qualified research expense" means**  
12 **enterprise zone qualified research expense that is incurred in 2005.**

13 **"Enterprise zone qualified research expense" means qualified**  
14 **research expense that is incurred for research conducted in an**  
15 **enterprise zone in Indiana.**

16 "Indiana qualified research expense" means qualified research  
17 expense that is incurred for research conducted in Indiana.

18 "Qualified research expense" means qualified research expense (as  
19 defined in Section 41(b) of the Internal Revenue Code as in effect on  
20 January 1, 2001).

21 "Pass through entity" means:

- 22 (1) a corporation that is exempt from the adjusted gross income  
23 tax under IC 6-3-2-2.8(2);  
24 (2) a partnership;  
25 (3) a limited liability company; or  
26 (4) a limited liability partnership.

27 "Research expense tax credit" means a credit provided under this  
28 chapter against any tax otherwise due and payable under IC 6-3.

29 "Taxpayer" means an individual, a corporation, a limited liability  
30 company, a limited liability partnership, a trust, or a partnership that  
31 has any tax liability under IC 6-3 (adjusted gross income tax).



1 SECTION 2. IC 6-3.1-4-2 IS AMENDED TO READ AS  
 2 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 2. **(a)** A taxpayer  
 3 who incurs Indiana qualified research expense in a particular taxable  
 4 year is entitled to a research expense tax credit for the taxable year in  
 5 the amount of the product of:

6 (1) ten percent (10%); multiplied by

7 **(2) the result of:**

8 **(A)** the remainder of the taxpayer's Indiana qualified research  
 9 expenses for the taxable year, minus:

10 ~~(A)~~ **(i)** the taxpayer's base period Indiana qualified research  
 11 expenses, for taxable years beginning before January 1,  
 12 1990; or

13 ~~(B)~~ **(ii)** the taxpayer's base amount, for taxable years  
 14 beginning after December 31, 1989; **minus**

15 **(B)** the amount determined for the taxable year under  
 16 subsection (b)(2) for which the taxpayer claims a credit  
 17 under subsection (b).

18 **(b)** In addition to the credit that may be claimed under  
 19 subsection (a) for a particular taxable year, a taxpayer who incurs  
 20 enterprise zone qualified research expense in a particular taxable  
 21 year is entitled to a research expense tax credit for the taxable year  
 22 in the amount of the product of:

23 (1) thirty percent (30%); multiplied by

24 (2) the remainder of:

25 (A) the taxpayer's enterprise zone qualified research  
 26 expenses for the taxable year; minus

27 (B) the taxpayer's base year enterprise zone qualified  
 28 research expense.

29 SECTION 3. [EFFECTIVE JANUARY 1, 2006] IC 6-3.1-4-1 and  
 30 IC 6-3.1-4-2, both as amended by this act, apply to taxable years  
 31 beginning after December 31, 2005.

