**A** **BILL**

TO AMEND SECTION 12‑6‑3415, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE TAX CREDIT FOR RESEARCH AND DEVELOPMENT, SO AS TO PROVIDE THAT A TAXPAYER WITH LESS THAN ONE HUNDRED FIFTY FULL‑TIME EMPLOYEES MAY CLAIM THE ENTIRE CREDIT IN ONE YEAR AND IF THE CREDIT EXCEEDS THE TAXPAYER’S LIABILITY, THE DEPARTMENT OF REVENUE SHALL REFUND A CERTAIN REMAINING PORTION OF THE CREDIT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 12‑6‑3415 of the 1976 Code, as last amended by Act 116 of 2007, is further amended to read:

“(A) A taxpayer that claims a federal income tax credit pursuant to Section 41 of the Internal Revenue Code for increasing research activities for the taxable year is allowed a credit against any tax due pursuant to this chapter or Section 12‑20‑50 equal to five percent of the taxpayer’s qualified research expenses made in South Carolina. For the purposes of this credit, qualified research expenses has the same meaning as provided for in Section 41 of the Internal Revenue Code.

(B)(1) The credit taken in any one taxable year pursuant to this section may not exceed fifty percent of the taxpayer’s remaining tax liability after all other credits have been applied. Any unused credit may be carried over to the immediately succeeding taxable years, except that the credit carry‑over may not be used for a taxable year that begins on or after ten years from the date of the qualified research expenses.

(2) This subsection does not apply to a taxpayer that employs less than one hundred fifty full‑time employees, as defined in Section 12‑6‑3360. If a taxpayer that employs less than one hundred fifty full‑time employees claims an amount of credit that exceeds the taxpayer’s liability, the department shall refund the remaining portion of the credit. The refunded amount must not exceed seventy‑five percent of the taxpayer’s liability. The department shall not issue refunds pursuant to this section in an amount that exceeds five million dollars each year. If refund claims exceed five million dollars in a year, the department shall reduce each taxpayer’s refund by a proportionate amount. A taxpayer may carry forward any credit not refunded for the next ten taxable years.”

SECTION 2. This act takes effect upon approval by the Governor, and applies to tax years beginning after December 31, 2011.

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