

115TH CONGRESS  
1ST SESSION

# H. R. 2821

To amend the Internal Revenue Code of 1986 to reform the credit for increasing research activities, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2017

Mr. TIBERI (for himself and Mr. LARSON of Connecticut) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to reform the credit for increasing research activities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Research and Experi-  
5 mentation Advances Competitiveness at Home Act” or as  
6 the “REACH Act”.

7 **SEC. 2. INCREASE OF ALTERNATIVE SIMPLIFIED CREDIT.**

8 (a) IN GENERAL.—Subparagraph (A) of section  
9 41(c)(5) of the Internal Revenue Code of 1986 is amended  
10 by striking “14 percent (12 percent in the case of taxable

1 years ending before January 1, 2009)” and inserting “20  
2 percent”.

3 (b) CONFORMING AMENDMENT.—Clause (ii) of sec-  
4 tion 41(c)(5)(B) of the Internal Revenue Code of 1986  
5 is amended by striking “6 percent” and inserting “10 per-  
6 cent”.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2016.

10 **SEC. 3. ALLOCATION OF RESEARCH EXPENSES AMONG**  
11 **BUSINESS COMPONENTS.**

12 (a) IN GENERAL.—Subparagraph (A) of section  
13 41(d)(2) of the Internal Revenue Code of 1986 is amended  
14 by inserting “, and may be applied using a method that  
15 relies on reasonable estimation techniques in lieu of con-  
16 temporaneous accounting to measure employee hours per  
17 business component” before the period.

18 (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2016.

21 **SEC. 4. INCLUSION OF QUALIFIED UPPER-LEVEL EMPLOY-**  
22 **EES IN RESEARCH EXPENSE CALCULATION.**

23 (a) IN GENERAL.—Clause (ii) of section 41(b)(2)(B)  
24 of the Internal Revenue Code of 1986 is amended by in-

1 serting “, without regard to the employee’s position or  
2 management level” before the period.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2016.

6 **SEC. 5. REPEAL OF EXCLUSION OF ADAPTIVE RESEARCH.**

7 (a) IN GENERAL.—Paragraph (4) of section 41(d) of  
8 the Internal Revenue Code of 1986 is amended by striking  
9 subparagraph (B) and by redesignating subparagraphs  
10 (C), (D), (E), (F), (G), and (H) as subparagraphs (B),  
11 (C), (D), (E), (F), and (G), respectively.

12 (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2016.

15 **SEC. 6. INCLUSION OF COST REDUCTION RESEARCH.**

16 (a) IN GENERAL.—Subparagraph (A) of section  
17 41(d)(3) of the Internal Revenue Code of 1986 is amend-  
18 ed—

19 (1) by striking “or” at the end of clause (ii);

20 (2) by striking the period at the end of clause

21 (iii) and inserting “, or”; and

22 (3) by adding at the end the following new  
23 clause:

24 “(iv) reduction of costs associated  
25 with—

1                   “(I) a business component of the  
2                   taxpayer, or

3                   “(II) research relating to a pur-  
4                   pose described in clause (i), (ii), or  
5                   (iii).”.

6           (b) **EFFECTIVE DATE.**—The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 2016.

9 **SEC. 7. INCLUSION OF OBSOLESCENCE MITIGATION.**

10           (a) **IN GENERAL.**—Clause (iv) of section 41(d)(3)(A)  
11 of the Internal Revenue Code of 1986, as added by section  
12 5, is amended by inserting “or obsolescence mitigation”  
13 after “reduction of costs”.

14           (b) **EFFECTIVE DATE.**—The amendment made by  
15 this section shall apply to taxable years beginning after  
16 December 31, 2016.

17 **SEC. 8. ELECTION OF REDUCED CREDIT MAY BE MADE ON**  
18 **AMENDED RETURN.**

19           (a) **IN GENERAL.**—Subparagraph (C) of section  
20 280C(c)(3) of the Internal Revenue Code of 1986 is  
21 amended to read as follows:

22                   “(C) **ELECTION.**—An election under this  
23                   paragraph shall made in such manner as the  
24                   Secretary may prescribe and, once made with  
25                   respect to a taxable year, shall be irrevocable.

1           Such election may be made on the return of tax  
2           for the taxable year to which it applies or on an  
3           amended return.”.

4           (b) **EFFECTIVE DATE.**—The amendment made by  
5 this section shall apply to amended returns which are per-  
6 mitted to be filed under the applicable provisions of the  
7 Internal Revenue Code of 1986 after the date of the enact-  
8 ment of this Act.

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