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

IN THE SENATE OF THE UNITED STATES

Mr. COONS (for himself and Mr. ROBERTS) introduced the following bill;
which was read twice and referred to the Committee on

A BILL

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

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Furthering Our Recov-
ery With American Research & Development Act” or the
“FORWARD Act”.

SEC. 2. TREATMENT OF CREDIT FOR QUALIFIED SMALL
BUSINESSES.

(a) GROSS RECEIPTS TEST.—
(1) IN GENERAL.—Clause (i) of section 41(h)(3)(A) of the Internal Revenue Code of 1986 is amended—

(A) by striking “$5,000,000” in subclause (I) and inserting “$20,000,000”, and

(B) by striking “gross receipts” in subclause (II) and inserting “gross receipts in excess of $25,000”.

(2) DEFINITION OF GROSS RECEIPTS.—

(A) IN GENERAL.—Clause (i) of section 41(h)(3)(A)(i) of such Code, as amended by paragraph (1), is further amended—

(i) by striking “(as determined under the rules of section 448(c)(3), without regard to subparagraph (A) thereof)” in subclause (I), and

(ii) by striking “(as so determined)” in subclause (II).

(B) DEFINITION.—Subparagraph (A) of section 41(h)(3) of such Code, as so amended, is further amended by adding at the end the following flush sentence:

“For purposes of the preceding sentence, gross receipts shall be determined under the rules of section 448(e)(3) without regard to subpara-
graph (A) thereof, except that such term shall not include any contributions to the capital of a corporation (other than contributions by a shareholder) or any amount described in section 118(b) (other than receipts from customers in exchange for goods or services).”.

(b) STARTUP DATE.—Subclause (II) of section 41(h)(3)(A)(i) of the Internal Revenue Code of 1986 is amended by striking “5-taxable-year period” and inserting “8-taxable-year period”.

(c) LIMITATION ON ELECTION AMOUNT.—Clause (i) of section 41(h)(4)(B) of the Internal Revenue Code of 1986 is amended by striking “$250,000” and inserting “$1,000,000”.

(d) LIMITATION ON ELECTION.—Clause (ii) of section 41(h)(4)(B) of the Internal Revenue Code of 1986 is amended by striking “5 or more” and inserting “8 or more”.

(e) PAYROLL TAX CREDIT PORTION.—Paragraph (2) of section 41(h) of the Internal Revenue Code of 1986 is amended—

(1) by striking subparagraph (C),

(2) by adding “or” at the end of subparagraph (A), and
(3) by striking “, or” at the end of subparagraph (B) and inserting a period.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 3. INCLUSION OF EMPLOYEE TRAINING EXPENSES.

(a) IN GENERAL.—Paragraph (1) of section 41(b) of the Internal Revenue Code of 1986 is amended—

(1) by striking “and” at the end of subparagraph (A),

(2) by striking the period at the end of subparagraph (B) and inserting “, and”, and

(3) by adding at the end the following new subparagraph:

“(C) employee training expenses.”.

(b) EMPLOYEE TRAINING EXPENSES.—Subsection (b) of section 41 of the Internal Revenue Code of 1986 is amended—

(1) by redesignating paragraph (4) as paragraph (5), and

(2) by inserting after paragraph (3) the following new paragraph:

“(4) EMPLOYEE TRAINING EXPENSES.—

“(A) IN GENERAL.—The term ‘employee training expenses’ means any wages paid or in-
occurred to an employee in connection with training for the employee to perform qualified services described in clause (i) or (ii) of paragraph (2)(B). Such term does not include wages paid or incurred in connection with general employer training which does not specifically pertain to such qualified services.

“(B) WAGES, ETC.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘wages’ shall not include any amount taken into account under paragraph (2)(A)(i).

“(ii) RULES.—The rules of paragraph (2)(D) shall apply.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses paid or incurred in taxable years beginning after December 31, 2019.

SEC. 4. INCREASED CREDIT RATE FOR CERTAIN RESEARCH ACTIVITIES.

(a) IN GENERAL.—Section 41 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(i) SPECIAL RULES FOR CERTAIN HIGH-BENEFIT RESEARCH ACTIVITIES.—

“(1) CERTAIN COLLABORATIVE RESEARCH.—
“(A) IN GENERAL.—In the case of any qualified research expenses described in sub-
paragraph (B), as applicable—

“(i) subsection (a)(1) shall be applied by substituting ‘25 percent’ for ‘20 per-
cent’,

“(ii) subsection (c)(4)(A) shall be ap-
plied by substituting ‘17.5 percent’ for ‘14 percent’, and

“(iii) subsection (c)(4)(B)(ii) shall be applied by substituting ‘7.5 percent’ for ‘6 percent’.

“(B) EXPENSES DESCRIBED.—

“(i) IN GENERAL.—Qualified research expenses described in this subparagraph are qualified research expenses incurred by the taxpayer with respect to qualified re-
search in collaboration with 1 or more other entities, which may include a quali-
fied organization described in subpara-
graph (A), (B), or (C) of subsection (e)(6), an organization which is a Federal labora-
tory (within the meaning of subsection (b)(3)(D)(i)(III)), or a qualified research
consortium (as defined in subsection (b)(3)(C)(ii)).

“(ii) Contribution requirement.—A collaboration shall be taken into account under clause (i) only if each entity involved in the collaboration provides or performs more than ½ of its pro rata share of the work hours for the research.

“(2) Research by United States manufacturers.—

“(A) In general.—In the case of a qualified domestic manufacturer, this section shall be applied—

“(i) by increasing the 20 percent amount in subsection (a)(1) by the bonus amount,

“(ii) by increasing the 14 percent amount under subsection (c)(4)(A) by the alternative simplified bonus amount, and

“(iii) by increasing the 6 percent amount under subsection (c)(4)(B)(ii) by the subsection (c)(4)(B) bonus amount.

“(B) Qualified domestic manufacturer.—For purposes of this subsection—
“(i) In general.—The term ‘qualified domestic manufacturer’ means a taxpayer who has domestic production gross receipts which are more than 50 percent of total gross receipts.

“(ii) Domestic production gross receipts.—The term ‘domestic production gross receipts’ has the meaning given to such term under section 199(e)(4) (as in effect on December 31, 2017).

“(C) Bonus amount; alternative simplified bonus amount; subsection (c)(4)(B) amount.—For purposes of subparagraph (A):

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Bonus Amount</th>
<th>Alternative Simplified Bonus Amount</th>
<th>Subsection (c)(4)(B) Bonus Amount</th>
</tr>
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<tbody>
<tr>
<td>More than 50% but not more than 60%</td>
<td>1</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>More than 60% but not more than 70%</td>
<td>2</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td>More than 70% but not more than 80%</td>
<td>3</td>
<td>2.1</td>
<td>0.9</td>
</tr>
<tr>
<td>More than 80% but not more than 90%</td>
<td>4</td>
<td>2.8</td>
<td>1.2</td>
</tr>
<tr>
<td>More than 90%</td>
<td>5</td>
<td>3.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

"If the percentage of total gross receipts which are domestic production gross receipts is:"
(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

SEC. 5. TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.

There are hereby appropriated to the Federal Old-Age and Survivors Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury from the taxes under section 3111(a) of the Internal Revenue Code of 1986 by reason of the amendments made by sections 2, 3, and 4. Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had such amendments not been enacted.

SEC. 6. SUPPORT FOR SMALL BUSINESS RESEARCH AND DEVELOPMENT.

(a) Definitions.—In this section—

(1) the term “Administrator” means the Administrator of the Small Business Administration;

(2) the term “Commissioner” means the Commissioner of Internal Revenue;
(3) the term "small business concern" has the meaning given the term in section 3(a) of the Small Business Act (15 U.S.C. 632(a)); and


(b) IRS AND SBA PARTNERSHIPS.—Beginning not later than 180 days after the date of enactment of this Act, the Commissioner, in consultation with the Administrator, shall develop partnership agreements that—

(1) provide for the development of—

(A) basic training, including in-person or modular training sessions, relating to Federal income tax credits that benefit small business concerns and startups, especially credits for research and experimentation; and

(B) informational materials relating to such credits, including Internal Revenue Service guidance documents;

(2) provide the basic training and informational materials developed under paragraph (1)—

(A) through electronic resources, including internet-based webinars; and
(B) at physical locations, including small business development centers; and

(3) make such materials available to—

(A) business development programs administered by the Small Business Administration, including women’s business centers, Veteran Business Outreach Centers, and U.S. Export Assistance Centers, and nonprofit research partners such as the Service Corps of Retired Executives authorized under section 8(b)(1)(B) of the Small Business Act (15 U.S.C. 637(b)(1)(B)); and

(B) business development entities that partner with Small Business Administration programs, including universities, nonprofits, business incubators, and business accelerators.

(c) REPORTING REQUIREMENT.—Not later than 180 days after the date of enactment of this Act, the Commissioner, in consultation with the Administrator, shall submit to Congress a report describing how the Internal Revenue Service in partnership with the Small Business Administration will provide outreach and educational materials to small business concerns, businesses of medium size, and startups regarding section 41(h) of the Internal Revenue Code of 1986.
(d) **Small Business Development Centers.**—

Section 21(c)(3) of the Small Business Act (15 U.S.C. 648(c)(3)) is amended—

(1) in subparagraph (T), by striking “and” at the end;

(2) in the first subparagraph (U) (relating to encouraging and assisting the provision of succession planning), by striking the period at the end of clause (v) and inserting a semicolon;

(3) in the second subparagraph (U) (relating to providing training in conjunction with the United States Patent and Trademark Office)—

(A) by redesignating that subparagraph as subparagraph (V); and

(B) in clause (ii)(II), by striking the period at the end and inserting “; and”; and

(4) by adding at the end the following:

“(W) in conjunction with the Internal Revenue Service, providing informational materials, education, and basic training—

“(i) to small business concerns relating to Federal income tax credits available under the Internal Revenue Code of 1986, including—
“(I) credits available to businesses generally; and
“(II) credits available to small business concerns and startups specifically, especially credits for research and experimentation; and
“(ii) that may be delivered—
“(I) in person; or
“(II) through a website.”.

(e) Authorization of Appropriations.—There are authorized to be appropriated $2,000,000 per year to carry out the requirements of this section.