



August 4 Tax Legislation Before the August Recess

Senate approves House-passed version of highway funding bill.

On July 31, the Senate voted 81 to 13 to recede from its amendment to H.R. 5021, the "Highway and Transportation Funding Act of 2014," thus passing the House-approved version of the bill.

Earlier in the day, the House had stripped out the Senate-passed provisions and returned the bill to the Senate for further consideration.

The bill would provide \$10.9 billion in funding through May of 2015 by means of pension smoothing, customs user fees, and transfers from the leaking underground storage tanks (LUST) account. It will be sent to the President for his expected signature.

We will provide an analysis of the bill once the President signs the bill into law.

Bill would increase, modify, and make permanent the credit for research and development.

On July 31, Senator Tom Carper (D-DE) introduced S.2715, the "Competitiveness and Opportunity by Modernizing and Permanently Extending the Tax Credit for Experimentation" (COMPETE) Act of 2014. The bill would make the research credit permanent, increase the credit rate to 25%, allow firms engaging in contract-funded research projects to claim a portion of the credit (in general, 65% for the taxpayer paying for the qualified research and up to 35% for the taxpayer performing such research), enable investors in small research companies to claim the credit, and provide an enhanced 35% credit for "certified highly innovative research expenses."

The research credit expired at the end of 2013. Earlier this year, the House passed H.R. 4438, the "American Research and Competitiveness Act of 2014," which would expand the credit and make it permanent. The Administration indicated at the time that it would veto the bill if it was passed without offsets, and the COMPETE Act, in current form, may face a similar challenge.

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