

Internal Revenue Code Section 280C(a)

Certain expenses for which credits are allowable



(a) Rule for employment credits.

No deduction shall be allowed for that portion of the wages or salaries paid or incurred for the taxable year which is equal to the sum of the credits determined for the taxable year under sections 45A(a), 45P(a), 45S(a), 51(a) , and 1396(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.

(b) Credit for qualified clinical testing expenses for certain drugs.

(1) In general.

No deduction shall be allowed for that portion of the qualified clinical testing expenses (as defined in section 45C(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit allowable for the taxable year under section 45C (determined without regard to section 38(c)).

(2) Similar rule where taxpayer capitalizes rather than deducts expenses.

If-

(A) the amount of the credit allowable for the taxable year under section 45C (determined without regard to section 38(c)), exceeds

(B) the amount allowable as a deduction for the taxable year for qualified clinical testing expenses (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

(3) Election of reduced credit.

(A) In general. In the case of any taxable year for which an election is made under this paragraph-

(i) paragraphs (1) and (2) shall not apply, and

(ii) the amount of the credit under section 45C(a) shall be the amount determined under subparagraph (B).

(B) Amount of reduced credit. The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to the excess of-

(i) the amount of credit determined under section 45C(a) without regard to this paragraph, over

- (ii) the product of-
 - (I) the amount described in clause (i), and
 - (II) the maximum rate of tax under section 11(b).

(C) Election. An election under this paragraph for any taxable year shall be made not later than the time for filing the return of tax for such year (including extensions), shall be made on such return, and shall be made in such manner as the Secretary shall prescribe. Such an election, once made, shall be irrevocable.

(4) Controlled groups.

In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 41(f)(5)) or a trade or business which is treated as being under common control with other trades or business (within the meaning of section 41(f)(1)(B)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subparagraphs (A) and (B) of section 41(f)(1).

Note: Section 280C(c), below, is effective for amounts paid or incurred in tax years beginning before January 1, 2022.

(c) Credit for increasing research activities.

(1) In general.

No deduction shall be allowed for that portion of the qualified research expenses (as defined in section 41(b)) or basic research expenses (as defined in section 41(e)(2)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41(a).

(2) Similar rule where taxpayer capitalizes rather than deducts expenses.

If-

(A) the amount of the credit determined for the taxable year under section 41(a)(1), exceeds

(B) the amount allowable as a deduction for such taxable year for qualified research expenses or basic research expenses (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

(3) Election of reduced credit.

(A) In general. In the case of any taxable year for which an election is made under this paragraph-

(i) paragraphs (1) and (2) shall not apply, and

(ii) the amount of the credit under section 41(a) shall be the amount determined under subparagraph (B).

(B) Amount of reduced credit. The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to the excess of-

(i) the amount of credit determined under section 41(a) without regard to this paragraph, over

(ii) the product of-

(I) the amount described in clause (i), and

(II) the maximum rate of tax under section 11(b).

(C) Election. An election under this paragraph for any taxable year shall be made not later than the time for filing the return of tax for such year (including extensions), shall be made on such return, and shall be made in such manner as the Secretary may prescribe. Such an election, once made, shall be irrevocable.

(4) Controlled groups.

Paragraph (3) of subsection (b) shall apply for purposes of this subsection.

Note: Section 280C(c), below, is effective for amounts paid or incurred in tax years beginning after December 31, 2021.

(c) Credit for increasing research activities.

(1) In general.

If-

(A) the amount of the credit determined for the taxable year under section 41(a)(1), exceeds

(B) the amount allowable as a deduction for such taxable year for qualified research expenses or basic research expenses,

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

(2) Election of reduced credit.

(A) In general. In the case of any taxable year for which an election is made under this paragraph-

(i) paragraph (1) shall not apply, and

(ii) the amount of the credit under section 41(a) shall be the amount determined under subparagraph (B).

(B) Amount of reduced credit. The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to the excess of-

(i) the amount of credit determined under section 41(a) without regard to this paragraph, over

(ii) the product of-

(I) the amount described in clause (i), and

(II) the maximum rate of tax under section 11(b).

(C) Election. An election under this paragraph for any taxable year shall be made not later than the time for filing the return of tax for such year (including extensions), shall be made on such return, and shall be made in such manner as the Secretary may prescribe. Such an election, once made, shall be irrevocable.

(3) Controlled groups.

Paragraph (3) of subsection (b) shall apply for purposes of this subsection.

(d) Credit for low sulfur diesel fuel production.

The deductions otherwise allowed under this chapter for the taxable year shall be reduced by the amount of the credit determined for the taxable year under section 45H(a).

(e) Mine rescue team training credit.

No deduction shall be allowed for that portion of the expenses otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for the taxable year under section 45N(a).

(f) Credit for security of agricultural chemicals.

No deduction shall be allowed for that portion of the expenses otherwise allowable as a deduction taken into account in determining the credit under section 45O for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45O(a).

(g) Credit for health insurance premiums.

No deduction shall be allowed for the portion of the premiums paid by the taxpayer for coverage of 1 or more individuals under a qualified health plan which is equal to the amount of the credit determined for the taxable year under section 36B(a) with respect to such premiums.

(h) Credit for employee health insurance expenses of small employers.

No deduction shall be allowed for that portion of the premiums for qualified health plans (as defined in section 1301(a) of the Patient Protection and Affordable Care Act), or for health insurance coverage in the case of taxable years beginning in 2010, 2011, 2012, or 2013, paid by an employer which is equal to the amount of the credit determined under section 45R(a) with respect to the premiums.