

Therapeutic Discovery Project Credit

SUMMARY:

Modeled after existing tax credits for investments in qualifying advanced energy projects (IRC §48C), the proposal would create a credit to encourage investments in new therapies to prevent, diagnose, and treat acute and chronic diseases.

DESCRIPTION:

The proposal would have the following features:

- Limited to “small company” defined as a business having 250 or fewer employees.
- Credit amount would be equal to 50% of investments in “qualified therapeutic discovery projects”.
- “Qualified therapeutic discovery project” would include projects that are designed to–
 - (a) treat or prevent diseases or conditions by conducting pre-clinical activities, clinical trials, or clinical studies, or carrying out research protocols, for the purpose of securing approval of a drug or biologic;
 - (b) determine molecular factors related to diseases or conditions by developing molecular diagnostics to guide therapeutic decisions; or
 - (c) develop processes, technologies, or products to further the delivery or administration of therapeutics.
- Qualifying investments would include those made during 2009 and 2010.
- Total of \$1B would be allotted for the program over the 2-year period.
- Treasury, in consultation with HHS, would award certifications for qualified investments eligible for credits allocated for tax years 2009 through 2010.
 - Companies would have to apply to Treasury to certify projects.
 - Treasury, in determining qualifying projects, would:
 - (A) take into consideration only those projects that show reasonable potential–
 - (1) to result in new therapies to treat areas of unmet medical need or to prevent, detect, or treat chronic or acute disease and conditions,
 - (2) to reduce long-term health care costs in the United States, or
 - (3) to significantly advance the goal of curing cancer within a 30-year periodAND
 - (B) take into consideration projects would have the greatest potential–
 - (1) to create and sustain (directly or indirectly) high quality, high-paying jobs in the United States, and
 - (2) to advance US competitiveness.
- Eligible companies who are unable to utilize the credits would have the option to receive such credits in the form of Treasury grants, following ARRA Section 1603.
- “Qualified therapeutic discovery project” expenditures would not qualify for the R&D credit, orphan drug credit, or bonus depreciation.