

(II) PASS-THROUGH AND ALLOCATION OF THE CREDIT IN THE CASE OF ESTATES AND TRUSTS, PARTNERSHIPS, UNINCORPORATED TRADES OR BUSINESSES, AND S CORPORATIONS;

(III) ADJUSTMENTS IN THE CASE OF ACQUISITIONS AND DISPOSITIONS DESCRIBED IN § 41(F)(3) OF THE INTERNAL REVENUE CODE; AND

(IV) DETERMINATION OF THE CREDIT IN THE CASE OF SHORT TAXABLE YEARS.

(3) THE REGULATIONS ADOPTED UNDER PARAGRAPH (2) OF THIS SUBSECTION SHALL BE BASED ON PRINCIPLES SIMILAR TO THE PRINCIPLES APPLICABLE UNDER § 41 OF THE INTERNAL REVENUE CODE AND REGULATIONS ADOPTED THEREUNDER.

~~(E)~~ (F) (1) THE DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT AND THE COMPTROLLER JOINTLY SHALL ADOPT REGULATIONS TO PRESCRIBE STANDARDS FOR DETERMINING WHEN RESEARCH OR DEVELOPMENT IS CONSIDERED CONDUCTED IN THE STATE FOR PURPOSES OF DETERMINING THE CREDIT UNDER THIS SECTION.

(2) IN ADOPTING REGULATIONS UNDER THIS SUBSECTION, THE DEPARTMENT AND THE COMPTROLLER MAY CONSIDER:

(I) THE LOCATION WHERE SERVICES ARE PERFORMED;

(II) THE RESIDENCE OR BUSINESS LOCATION OF THE PERSON OR PERSONS PERFORMING SERVICES;

(III) THE LOCATION WHERE SUPPLIES USED IN RESEARCH AND DEVELOPMENT ARE CONSUMED; AND

(IV) ANY OTHER FACTORS THAT THE DEPARTMENT DETERMINES ARE RELEVANT FOR THE DETERMINATION.

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) Except as otherwise provided in this section, this Act shall be applicable to all taxable years beginning after December 31, 1999 but before January 1, 2005.

(b) If a taxpayer's taxable year for income tax purposes is not the calendar year:

(1) for the taxable year that ends in calendar year 2000, the taxpayer may apply for a prorated credit for research and development expenses paid or incurred in the taxable year for that part of the taxable year that falls in calendar year 2000; and

(2) for the taxable year that begins in calendar year 2004, the taxpayer may apply for only a prorated credit for research and development expenses paid or incurred in the taxable year for that part of the taxable year that falls in calendar year 2004.