

AMENDED IN ASSEMBLY MAY 17, 2012  
AMENDED IN ASSEMBLY MARCH 29, 2012  
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1818**

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**Introduced by Assembly Members Perea and Beall**

February 21, 2012

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An act to add Sections 17053.99 and 23699 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1818, as amended, Perea. Income taxes: credit: patent licensing. The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws.

This bill would, under the Personal Income Tax Law and the Corporation Tax Law, for taxable years beginning on or after January 1, 2012, allow a credit against those taxes in an amount equal to ~~\_\_\_\_\_~~% 15% of the qualified royalties, as defined, paid by a qualified taxpayer, as defined.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17053.99 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.99. (a) For each taxable year beginning on or after
- 4 January 1, 2012, there shall be allowed to a qualified taxpayer as

1 a credit against the “net tax,” as defined in Section 17039, an  
2 amount equal to ~~\_\_\_\_\_~~ 15 percent of the qualified royalties paid by  
3 the qualified taxpayer during the taxable year.

4 (b) For purposes of this section:

5 (1) “Commercialize” means the process in which a taxpayer is  
6 a licensee of a qualified patent and uses the patent in connection  
7 with, or incorporates the patent into, intellectual property or  
8 tangible personal property in the manner described, with respect  
9 to which a qualified patent is used directly or indirectly in  
10 connection with the manufacturing, production, growing, or  
11 extraction process with respect to such property, or is incorporated  
12 into such property and such incorporation serves a significant  
13 commercial purpose.

14 ~~(1)~~

15 (2) “Qualified patent” means a patent owned by the University  
16 of California for an invention where the research and development  
17 for that invention was funded, in whole or in part, by amounts  
18 eligible for the credit under Section 17052.12 or 23609.

19 (3) “Qualified research” has the same meaning as set forth in  
20 Section 41(d) of the Internal Revenue Code, as modified by Section  
21 17052.12.

22 ~~(2)~~

23 (4) “Qualified royalties” means any royalties paid by a qualified  
24 taxpayer for the use of a qualified patent through a license  
25 agreement with the University of California or another entity.

26 ~~(3)~~

27 (5) “Qualified taxpayer” means a taxpayer that paid qualified  
28 royalties during the taxable year and commercializes, *for at least*  
29 *five consecutive years* within the state, the licensed patent for which  
30 qualified royalties were paid during the taxable year.

31 (c) In the case where the credit allowed by this section exceeds  
32 the “net tax,” the excess may be carried over to reduce the “net  
33 tax” in the following year, and succeeding *eight* years if necessary,  
34 until the credit is exhausted.

35 SEC. 2. Section 23699 is added to the Revenue and Taxation  
36 Code, to read:

37 23699. (a) For each taxable year beginning on or after January  
38 1, 2012, there shall be allowed to a qualified taxpayer as a credit  
39 against the “tax,” as defined in Section 23036, an amount equal

1 to ~~15~~ 15 percent of the qualified amount paid by the qualified  
2 taxpayer during the taxable year.

3 (b) For purposes of this section:

4 (1) *“Commercialize” means the process in which a taxpayer is*  
5 *a licensee of a qualified patent and uses the patent in connection*  
6 *with, or incorporates the patent into, intellectual property or*  
7 *tangible personal property in the manner described, with respect*  
8 *to which a qualified patent is used directly or indirectly in*  
9 *connection with the manufacturing, production, growing, or*  
10 *extraction process with respect to such property, or is incorporated*  
11 *into such property and such incorporation serves a significant*  
12 *commercial purpose.*

13 ~~(1)~~

14 (2) *“Qualified patent” means a patent owned by the University*  
15 *of California for an invention where the research and development*  
16 *for that invention was funded, in whole or in part, by amounts*  
17 *eligible for the credit under Section 17052.12 or 23609.*

18 (3) *“Qualified research” has the same meaning as set forth in*  
19 *Section 41(d) of the Internal Revenue Code, as modified by Section*  
20 *23609.*

21 ~~(2)~~

22 (3) *“Qualified royalties” means any royalties paid by a qualified*  
23 *taxpayer for the use of a qualified patent through a license*  
24 *agreement with the University of California or another entity.*

25 ~~(3)~~

26 (4) *“Qualified taxpayer” means a taxpayer that paid qualified*  
27 *royalties during the taxable year and commercializes, for at least*  
28 *five consecutive years within the state, the licensed patent for which*  
29 *qualified royalties were paid during the taxable year.*

30 (c) In the case where the credit allowed by this section exceeds  
31 the “tax,” the excess may be carried over to reduce the “tax” in  
32 the following year, and succeeding *eight* years if necessary, until  
33 the credit is exhausted.

34 SEC. 3. This act provides for a tax levy within the meaning of  
35 Article IV of the Constitution and shall go into immediate effect.