

116TH CONGRESS
1ST SESSION

S. 1884

To amend the Internal Revenue Code of 1986 to provide an enhanced research credit for the development of smart gun technologies.

IN THE SENATE OF THE UNITED STATES

JUNE 18, 2019

Mr. MURPHY (for himself and Mr. BLUMENTHAL) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide an enhanced research credit for the development of smart gun technologies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Start Advancing Fire-
5 arms Enhancements and Technology Act of 2019” or the
6 “SAFETY Act”.

7 **SEC. 2. ENHANCED RESEARCH CREDIT FOR DEVELOPMENT**
8 **OF SMART GUN TECHNOLOGIES.**

9 (a) IN GENERAL.—Subpart D of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 45S the fol-
 2 lowing new section:

3 **“SEC. 45T. RESEARCH EXPENSES FOR SMART GUN TECH-**
 4 **NOLOGIES.**

5 “(a) GENERAL RULE.—For purposes of section 38,
 6 in the case of a taxpayer who is a Federal firearms li-
 7 censee, the smart gun technology credit determined under
 8 this section for the taxable year is an amount equal to
 9 30 percent of the excess of—

10 “(1) the smart gun technology expenses for the
 11 taxable year, over

12 “(2) the base amount.

13 “(b) SMART GUN TECHNOLOGY EXPENSES; BASE
 14 AMOUNT.—For purposes of this section—

15 “(1) SMART GUN TECHNOLOGY EXPENSES.—

16 “(A) IN GENERAL.—Except as otherwise
 17 provided in this paragraph, the term ‘smart gun
 18 technology expenses’ means the amounts which
 19 are paid or incurred by the taxpayer during the
 20 taxable year which would be described in sec-
 21 tion 41(b) if such section were applied with the
 22 modifications set forth in subparagraph (B).

23 “(B) MODIFICATIONS.—For purposes of
 24 subparagraph (A), section 41(b) shall be ap-
 25 plied—

1 “(i) by substituting ‘smart gun tech-
 2 nology research’ for ‘qualified research’
 3 each place it appears in paragraphs (2)
 4 and (3) of such subsection, and

5 “(ii) by substituting ‘100 percent’ for
 6 ‘65 percent’ in paragraph (3)(A) of such
 7 subsection.

8 “(C) EXCLUSION FOR AMOUNTS FUNDED
 9 BY GRANTS, ETC.—The term ‘smart gun tech-
 10 nology expenses’ shall not include any amount
 11 to the extent such amount is funded by any
 12 grant, contract, or otherwise by another person
 13 (or any governmental entity).

14 “(2) BASE AMOUNT.—

15 “(A) IN GENERAL.—Except as provided in
 16 subparagraph (B), the term ‘base amount’
 17 means the amount which would be the base
 18 amount in section 41(c) if such section were ap-
 19 plied by substituting ‘smart gun technology re-
 20 search’ for ‘qualified research’ each place it ap-
 21 pears.

22 “(B) BASE AMOUNT IS ZERO FOR 3
 23 YEARS.—The base amount shall be zero for
 24 purposes of determining the amount of credit

1 for taxable years beginning in 2020, 2021, or
2 2022.

3 “(c) SMART GUN TECHNOLOGY RESEARCH.—For
4 purposes of this section—

5 “(1) IN GENERAL.—The term ‘smart gun tech-
6 nology research’ means qualified research (as de-
7 fined in section 41(d)) for the purpose of developing
8 smart gun technologies for firearms.

9 “(2) SMART GUN TECHNOLOGY.—The term
10 ‘smart gun technology’ means any technology (other
11 than a simple mechanical lock) which is designed—

12 “(A) to prevent a firearm from being fired
13 by any individual other than an authorized user
14 of the firearm, and

15 “(B) to convert the firearm from the inop-
16 erable condition to the operable condition in
17 less than 2 seconds after the authorized user
18 makes contact with the firearm, the firearm’s
19 arming device, or an external safe or locking
20 device.

21 “(3) AUTHORIZED USER.—For purposes of this
22 subsection, the term ‘authorized user’ means, with
23 respect to a firearm, the owner of the firearm and
24 any individual lawfully authorized by such owner to
25 operate the firearm.

1 “(4) SIMPLE MECHANICAL LOCK.—For pur-
 2 poses of this subsection, the term ‘simple mechanical
 3 lock’ means a lock that uses a key or a conventional
 4 combination lock. Such term does not include an ad-
 5 vanced lock that incorporates electronics or biomet-
 6 ric sensors, or a lock with other features to enable
 7 faster opening from any orientation with low visi-
 8 bility.

9 “(d) FEDERAL FIREARMS LICENSEE.—For purposes
 10 of this section, the term ‘Federal firearms licensee’ means
 11 any person holding a license under chapter 44 of title 18,
 12 United States Code, other than a licensed collector.

13 “(e) COORDINATION WITH CREDIT FOR INCREASING
 14 RESEARCH EXPENDITURES.—

15 “(1) IN GENERAL.—Except as provided in para-
 16 graph (2), any smart gun technology expenses for a
 17 taxable year to which an election under this section
 18 applies shall not be taken into account for purposes
 19 of determining the credit allowable under section 41
 20 for such taxable year.

21 “(2) EXPENSES INCLUDED IN DETERMINING
 22 BASE PERIOD RESEARCH EXPENSES.—Smart gun
 23 technology expenses for any taxable year shall be
 24 taken into account in determining base period re-

1 search expenses for purposes of applying section 41
2 to subsequent taxable years.

3 “(f) SPECIAL RULES.—

4 “(1) CERTAIN RULES MADE APPLICABLE.—
5 Rules similar to the rules of paragraphs (1) and (2)
6 of section 41(f) shall apply for purposes of this sec-
7 tion.

8 “(2) ELECTION.—This section shall apply to
9 any taxpayer for any taxable year only if such tax-
10 payer elects (at such time and in such manner as
11 the Secretary may by regulations prescribe) to have
12 this section apply for such taxable year.

13 “(g) TREATMENT OF CREDIT FOR QUALIFIED SMALL
14 BUSINESSES.—

15 “(1) IN GENERAL.—Under rules similar to the
16 rules of section 41(h), section 3111(f) shall apply to
17 the payroll tax credit portion of the credit otherwise
18 determined under subsection (a) for the taxable year
19 and such portion shall not be treated (other than for
20 purposes of section 280C) as a credit determined
21 under subsection (a).

22 “(2) FEDERAL FIREARMS LICENSEE EXCEP-
23 TION.—For purposes of this subsection, the payroll
24 tax credit portion of the credit otherwise determined
25 under subsection (a) shall be determined without re-

1 gard to whether the taxpayer is a Federal firearms
2 licensee.”.

3 (b) DENIAL OF DOUBLE BENEFIT.—Section 280C of
4 such Code is amended by adding at the end the following
5 new subsection:

6 “(i) CREDIT FOR SMART GUN TECHNOLOGY EX-
7 PENSES.—

8 “(1) IN GENERAL.—No deduction shall be al-
9 lowed for that portion of the smart gun technology
10 expenses (as defined in section 45T(b)) otherwise al-
11 lowable as a deduction for the taxable year which is
12 equal to the amount of the credit allowable for the
13 taxable year under section 45T (determined without
14 regard to section 38(c)).

15 “(2) SIMILAR RULE WHERE TAXPAYER CAP-
16 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

17 “(A) the amount of the credit allowable for
18 the taxable year under section 45T (determined
19 without regard to section 38(c)), exceeds

20 “(B) the amount allowable as a deduction
21 for the taxable year for smart gun technology
22 expenses (determined without regard to para-
23 graph (1)),

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

4 “(3) CONTROLLED GROUPS.—In the case of a
 5 corporation which is a member of a controlled group
 6 of corporations (within the meaning of section
 7 41(f)(5)) or a trade or business which is treated as
 8 being under common control with other trades or
 9 business (within the meaning of section
 10 41(f)(1)(B)), this subsection shall be applied under
 11 rules prescribed by the Secretary similar to the rules
 12 applicable under subparagraphs (A) and (B) of sec-
 13 tion 41(f)(1).”.

14 (c) CREDIT MADE PART OF GENERAL BUSINESS
 15 CREDIT.—

16 (1) IN GENERAL.—Section 38(b) of such Code
 17 is amended by striking “plus” at the end of para-
 18 graph (31), by striking the period at the end of
 19 paragraph (32) and inserting “, plus”, and by add-
 20 ing at the end thereof the following new paragraph:

21 “(33) in the case of a taxpayer who is a Fed-
 22 eral firearms licensee (as defined in section 45T(d)),
 23 the smart gun technology credit determined under
 24 section 45T(a).”.

1 (2) DEDUCTION FOR CERTAIN UNUSED BUSI-
 2 NESS CREDITS.—Subsection (c) of section 196 of
 3 such Code is amended by striking “and” at the end
 4 of paragraph (13), by striking the period at the end
 5 of paragraph (14) and inserting “, and”, and by
 6 adding after paragraph (8) the following new para-
 7 graph:

8 “(15) the smart gun technology credit deter-
 9 mined under section 45T.”.

10 (d) CLERICAL AMENDMENT.—The table of sections
 11 for subpart D of part IV of subchapter A of chapter 1
 12 of such Code is amended by inserting after the item relat-
 13 ing to section 45S the following new item:

“Sec. 45T. Research expenses for smart gun technologies.”.

14 (e) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to amounts paid or incurred after
 16 December 31, 2019, in taxable years beginning after such
 17 date.

18 **SEC. 3. FIREARMS TAX NOT TO APPLY TO COST OF SMART**
 19 **GUN TECHNOLOGY.**

20 (a) IN GENERAL.—Section 4181 of the Internal Rev-
 21 enue Code of 1986 is amended by adding at the end the
 22 following new sentence:

23 “The price taken into account under the preceding
 24 sentence shall not include so much of the price of the fire-

1 arm as is attributable to any smart gun technology (as
2 defined in section 45T(c)(2)) of such firearm.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall take effect on January 1, 2020.

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