

Research and Development Credit

(Rev. 12/04)

FOR INCOME YEAR		DECD ELIGIBILITY CERTIFICATE NUMBER (If applicable)
Beginning	2004, and Ending	

Corporation Name	Connecticut Tax Registration Number
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Purpose

Complete **Form CT-1120 RDC**, *Research and Development Credit*, to claim the credit available under Conn. Gen. Stat. §12-217n against the Connecticut corporation business tax for research and development expenses paid or incurred during the income year, for research and development conducted in Connecticut.

Required Attachments

Form CT-1120 RDC and a copy of the eligibility certificate, if applicable, **must** be attached to **Form CT-1120**, *Corporation Business Tax Return*, or **Form CT-1120CR**, *Combined Corporation Business Tax Return*, for each income year for which the credit is claimed.

This form must also be accompanied by a detailed schedule that identifies the research and development expenditures as to the type, amount, and location in Connecticut where conducted.

Definitions

Connecticut research and development expenditures are those amounts deductible under §174 of the Internal Revenue Code of 1986, as in effect on May 28, 1993, (determined without regard to §280C(c) thereof), and basic research payments as defined under I.R.C. §41, to the extent not deducted under I.R.C. §174. The expenditures must be paid or incurred by the taxpayer for research and development and basic research conducted in Connecticut. Overhead and other expenses, including general and administrative expenses that relate to a corporation's activities as a whole and not specifically to the research and development effort will not qualify. Qualifying expenditures may include, but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business that represent research and development costs in the experimental or laboratory sense;

- All costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned; **and**
- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application.

Qualified Small Business is defined as a company that has gross income for the previous income year that does not exceed \$100 million and has not met the gross income test through transactions with a related person, as defined in Conn. Gen. Stat. §12-217w.

Tentative Credit Computation

For a **qualified small business**, the tentative credit allowed for research and development expenses is equal to 6% (.06) of such expenses. Any company other than a qualified small business must use the tentative rate schedule below to determine the amount of the tentative credit.

The amount of credit available to companies that have revenues in excess of \$3 billion, employing more than 2,500 employees, and headquartered in an Enterprise Zone shall be the tentative credit allowed or 3.5% (.035) of the total research and development expenses, whichever is greater. A company that pays or incurs research and development expenses in excess of \$200 million for the income year must obtain an eligibility certificate from the Department of Economic and Community Development (DECD) prior to claiming the credit.

Additional Information

For additional information, see **Informational Publication 2004(20)**, *Guide to Connecticut Business Tax Credits*, or contact the Department of Revenue Services, Taxpayer Services Division at 1-800-382-9463 (in-state) or 860-297-5962 (from anywhere).

PART I - Tentative Research and Development Credit Computation

1.	Amount of Connecticut research and development expenditures for 2004 income year. (Attach detailed schedule)	1.	
2.	Amount of excess Connecticut research and experimental expenditures for 2004 income year pursuant to Conn. Gen. Stat. §12-217j. (2004 Form CT-1120RC , Part I, Line 3)	2.	
3.	Amount of excess grant expenditures to institutions of higher education in Connecticut for research and development pursuant to Conn. Gen. Stat. §12-217l. (2004 Form CT-1120GC , Line 7)	3.	
4.	Total excess expenditures. (Add Line 2 and Line 3)	4.	
5.	Net research and development expenditures for 2004. (Subtract Line 4 from Line 1)	5.	
6a.	Qualified Small Businesses multiply amount on Line 5 by 6% (.06).	6a.	
6b.	Companies headquartered in an Enterprise Zone, with revenues in excess of \$3 billion, employing more than 2,500 employees, may elect to multiply amount on Line 5 by 3.5% (.035).	6b.	
6c.	All other businesses determine amount from the <i>Tentative Credit Rate Schedule</i> , below.	6c.	
6.	Tentative credit for 2004. (Enter the amount from Line 6a, 6b, or 6c)	6.	
7.	Reduction of tentative credit for 2004. (Applicable if net research and development expenses exceed \$200 million and workforce is reduced)	7.	
8.	ALLOWABLE TENTATIVE CREDIT FOR 2004 (Subtract Line 7 from Line 6)	8.	

Tentative Credit Rate Schedule

If Net Research and Development Expenditures (Line 5) are:	The tentative credit allowed is:
\$50 million or less	1% of Net Research and Development Expenditures
more than \$50 million but not more than \$100 million	\$500,000 + 2% of amount over \$50 million
more than \$100 million but not more than \$200 million	\$1.5 million + 4% of amount over \$100 million
more than \$200 million	\$5.5 million + 6% of amount over \$200 million

PART II - Research and Development Credit Computation

1.	Allowable tentative credit for 2004 (From Part I, Line 8).	1.	
2.	Multiply Line 1 by 33 ¹ / ₃ % (.3333).	2.	
3.	Enter the 2004 Connecticut corporation business tax liability (or combined corporation business tax liability) due after the application of the total amount of Connecticut corporation business tax credits (except the Research and Development Credit).	3.	
4.	Multiply Line 3 by 50% (.50).	4.	
5a.	Multiply Line 1 by two (2).	5a.	
5b.	Enter 90% (.90) of Line 3.	5b.	
5.	Enter the lesser of Line 5a or Line 5b.	5.	
6.	Enter the greater of Line 4 or Line 5.	6.	
7.	2004 RESEARCH AND DEVELOPMENT CREDIT. (Enter the lesser of Line 2 or Line 6 here and on Form CT-1120K , Part I-D, Line 19, Column B.)	7.	

Exchange of Tax Credit

A taxpayer whose gross income does not exceed \$70 million and who cannot take the credit as a result of having no tax liability under the corporation business tax, may elect to carry 100% of the credit forward or may be eligible to exchange the credit with the State for a credit refund equal to 65% (.65) of its value. See Conn. Gen. Stat. §12-217ee, as amended. See **Form CT-1120 XCH**, *Application for Exchange of Research and*

Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business, for eligibility. Only tax credits earned in the current year and entitled to be claimed in the current year may be exchanged.

Application Procedure

Complete **Form CT-1120 XCH** and submit it with the original return (**Form CT-1120** or **Form CT-1120CR**). **Form CT-1120 XCH** is available on the DRS Web site at www.ct.gov/DRS

PART III - Computation of Carryforward

	A Total Credit Earned	B Credit Applied 1995 through 2003	C Carryforward to 2004 (Subtract Column B from Column A)	D Credit Applied in 2004	E Credit Exchanged	F Carryforward to 2005 (See instructions below)
1.	1995 Form CT-1120 RDC, Part I, Line 4					
2.	1996 Form CT-1120 RDC, Part I, Line 1.					
3.	1997 Form CT-1120 RDC, Part I, Line 1.					
4.	1998 Form CT-1120 RDC, Part I, Line 8.					
5.	1999 Form CT-1120 RDC, Part I, Line 8.					
6.	2000 Form CT-1120 RDC, Part I, Line 8.					
7.	2001 Form CT-1120 RDC, Part I, Line 8.					
8.	2002 Form CT-1120 RDC, Part I, Line 8.					
9.	2003 Form CT-1120 RDC, Part I, Line 8.					
10.	2004 Form CT-1120 RDC, Part I, Line 8.					
11.	Total Research and Development Credit Carryforward to 2005. (Add Lines 1 through 10, Column F.) Enter total here and on Form CT-1120K , Part I-D, Line 19, Column E.					

Computation of Carryforward Instructions:

Lines 1 through 10, Columns A through D - Enter the amount for each corresponding year.
Lines 6 through 9, Column E - Enter the actual amount of credit exchanged for each corresponding year.
Line 10, Column E - Enter the amount of credit to be exchanged for credit refund (From 2004 **Form CT-1120 XCH**, Part II, Line 2).
Lines 1 through 5, Column F - Subtract Lines 1 through 5, Column D from Lines 1 through 5, Column C. Enter the result on the appropriate lines.
Lines 6 through 9, Column F - Subtract Lines 6 through 9, Column D and Column E, from Lines 6 through 9, Column C. Enter the result on the appropriate lines.
Line 10, Column F - Subtract Line 10, Column D and Column E, from Line 10, Column A. Enter the result here.
Line 11 - Complete as indicated.