

CONNECTICUT STATE R&D TAX CREDIT

ELIGIBILITY

In general, taxpayers are eligible for the R&D Tax Credit if they are a C Corp and have QRE's as defined by IRC § 174 and IRC §41 in Connecticut during the tax period.

A tax credit may be applied against the tax imposed for an incremental increase in research and experimental expenditures or for non-incremental research and development expenses incurred in Connecticut.

CALCULATING THE BENEFIT

The Connecticut R&D Credit is claimed using either Form CT-1120RC or Form CT-1120 RDC, depending on which R&D tax credit is elected. Then it is submitted with the annual Connecticut state income tax return.

The R&D tax credits offered are:

Incremental R&D Credit

The tax credit is equal to 20% of the incremental increase in R&D expenses that are conducted in Connecticut.

Non-incremental R&D Credit

A qualified small business is entitled to a tentative tax credit equal to 6% of its research and development expenses conducted in Connecticut.

UTILIZATION

The total amount of the calculated credit must be divided equally over four years.

The taxpayer may claim 25% of the tax credit in the year the expenditure is made and 25% in each of the following three years. The tax credit, including any carry forward amount, may be used to offset the corporation business tax. If there is currently no tax liability, then it can be refunded up to 65% of credit amount.

Any tax credit that is otherwise allowable under this section and that is not used by the taxpayer in that year may be carried forward and offset against the taxpayer's tax liability for 15 consecutive tax periods if incremental, or until it is fully used if non-incremental.

SUMMARY OF STATE CREDIT

Incremental:

- Form: **CT-1120RC**
- Calc Rate: **20% of base period**
- Base period: **year-over-year increase in QRE's**
- Carry-forward: **15 years**

Non-Incremental:

- Form: **CT-1120 RDC**
- Calc Rate: **Up to 6% of base period**
- Base period: **CY QRE's**
- Carry-forward: **Until Fully Used**
- Amendment Period: **3 years**
- Offset: **Corporation Business Tax**
- Refund: **65% of credit**

YR	TOTAL QREs	CREDIT CALCULATION	CT CREDIT
2019	\$750k	Incremental R&D credit: 1) $750 - 650.0 = 100.0$ 2) $100.0 \times 20\%$	\$20k
Prior Year Amounts			
2018	\$650k		
2017	\$500k		
2016	\$400k		

