

# OHIO STATE R&D TAX CREDIT

## ELIGIBILITY

In general, taxpayers are eligible for the R&D Tax Credit if they have QREs as defined by IRC §41 in Ohio during the tax period.

Taxpayers can claim the Ohio Credit for Qualified Research Expenses to use against the Commercial Activity Tax (CAT). CAT applies to all entities with more than \$150,000 in taxable gross receipts per calendar year. The annual return reports the taxable gross receipts for the prior year's activity and prepays the annual minimum tax for the current calendar year.

## CALCULATING THE BENEFIT

The Ohio R&D Credit is claimed using Schedule CAT CS (Credit Schedule). Schedule CAT CS is submitted with the annual Ohio Commercial Activity Tax return.

The credit is calculated as 7% of QREs in excess of the base amount. The base amount is calculated as the average of QREs in the three preceding tax years.

## UTILIZATION

The tax credit may be used against the CAT. Any amount in excess of the tax liability may be carried forward for 7 consecutive tax periods. Reporting the Ohio research credit generally occurs on a quarterly basis with all CAT activity. Because of this, a company must either report quarterly activity contemporaneously, or must complete the CAT Credit Report as follows:

- In whichever quarter the credit is to be filed, the CAT Credit Report should be completed with zero credit earned during the credit reporting period and with all credit for the year being reported as "credit claim" during the reporting period.
- A supporting schedule should be attached to the CAT Credit Report, which in turn should be attached to the quarterly CAT return.

## SUMMARY OF STATE CREDIT

- Schedule: **CAT CS**
- Expiration: **Indefinite**
- Calc Rate: **7% of QREs over base amount**
- Base Amount: **avg. QREs for preceding 3 tax yrs**
- Amendment Period: **4 years**
- Offset: **commercial activity tax**
- Refund: **No**
- Carry-forward: **7 years**

YR	TOTAL QREs	CREDIT CALCULATION	OH CREDIT
2019	\$750k	1) Base Amount: $(650 + 500 + 400) / 3 = 516.7$ 2) $750 - 516.7 = 233.3$ 3) $233.3 \times 7\%$	\$16.3k
Prior Year Amounts			
2018	\$650k		
2017	\$500k		
2016	\$400k		

\*ND alternative excess research and development expenses means the amount by which QREs incurred in ND exceed 50% of the average QREs incurred in ND for the 3 tax years preceding the tax year for which the credit is being claimed.

