

RHODE ISLAND STATE R&D TAX CREDIT

ELIGIBILITY

In general, C-Corporations are eligible for the R&D Tax Credit if they have QREs as defined by IRC §41 in Rhode Island during the tax period. No other type of business entity is eligible for the credit.

C-Corporations can claim the R&D Tax Credit to use as a tax offset. The credit is non-refundable.

CALCULATING THE BENEFIT

The Rhode Island R&D Credit is claimed using Form RI-7695E. Form RI-7695E is submitted with the annual Rhode Island state return.

The credit is calculated as 22.5% for expenditures over base up to \$111,111.00 and 16.9% for the remaining expenditures over the \$111,111.00. The credit is capped at 50% of a company's state tax liability.

UTILIZATION

The tax credit, including any carry forward amount may be used to offset the corporations tax liability.

Any amount in excess of the tax liability may be carried forward for a maximum of 7 consecutive tax periods.

SUMMARY OF STATE CREDIT

- Form: **RI-7695E**
- Expiration: **Indefinite**
- Calc Rate: **22.5% for expenditures up to \$111,111 and 16.9% for the remaining**
- Base period: **50% of average QREs of past 3 years**
- Carry-forward: **7 years**
- Offset: **State Tax Liability**
- Refund: **No**

YR	TOTAL QREs	CREDIT CALCULATION	RI CREDIT
2019	\$750k	1) Base Amount: $[(650 + 500 + 400) / 3] \times 50\% = 258.3$ 2) $750 - 258.3 = 491.7$ 3) $111.1 \times 22.5\% + 380.6 \times 16.9\%$	\$89.3k
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.

