

ARKANSAS STATE R&D TAX CREDIT

ELIGIBILITY

Arkansas offers a research and development (R&D) tax credit for qualified research expenses (QREs) occurring within the state. Credits may be claimed for up to 100% of the tax liability. To claim the credits authorized, attach to the tax return a copy of the Certificate of Tax Credit issued by the Arkansas Science and Technology Authority.

CALCULATING THE BENEFIT

Some highlights of the Arkansas R&D tax credits include:

In-House R&D:

Businesses conducting research qualifying for federal R&D tax credits may claim a credit of 20% of QREs (maximum up to \$10K per tax year) that exceed the base year, for a period of three years and the incremental increase in QREs for the succeeding two years. For a new in-house research facility, the base year is zero. Therefore, in the first three years following the date of the financial incentive agreement, all eligible expenditures can qualify for the credit. The agreement may be renewed for up to 5 years.

R&D in an Area of Strategic Value:

This credit is equal to 33% of in-house QREs (up to \$50K per taxpayer per year) in conducting research qualifying for federal R&D credits. Research must be in an area of strategic value OR for a project offered by the Arkansas Economic Development Commission (AEDC).

University Based R&D:

An eligible business that contracts with an Arkansas college or university in performing research qualifying for federal R&D credits may qualify for a 33% credit for QREs. This may be used with other In-House R&D Credits.

In-House Research by a Targeted Business:

Upon application and approval by the AEDC Executive Director, targeted businesses may claim a credit of 33% of the QREs incurred each year for up to five years. This credit may be sold upon application and approval by AEDC.

UTILIZATION

The tax credit, including any carry forward amount, may be used to offset 100% of Arkansas state tax liabilities. Any amount in excess of the tax liability may be carried forward for a maximum of 9 consecutive tax periods.

SUMMARY OF STATE CREDIT

- Form: **Certificate of Tax Credit issued by Arkansas Science & Technology Authority**
- Effective: **January 1st 2003**
- Expiration: **Indefinite**
- Calc Rate for QREs exceeding base period: **20% (In-House R&D), 33% up to 5 yrs (all others)**
- Base period: **3 years**
- Amendment Period: **3 years**
- Carry-forward: **9 years**
- Offset: **State Taxes**

YR	TOTAL QREs	CREDIT CALCULATION	AR CREDIT
2019	\$750k	University Based R&D credit: \$750k x 33%	\$247.5k
Prior Year Amounts			
2018	\$650k		
2017	\$500k		
2016	N/A - Entity did not exist		

