

Research and Development Tax Credit

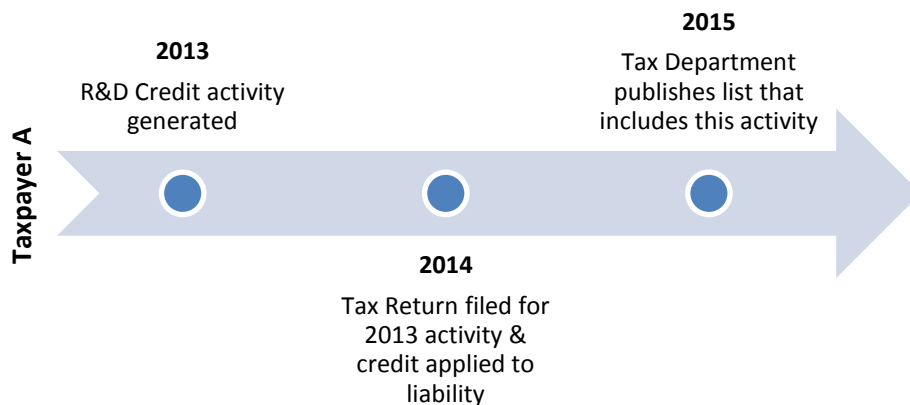
The Department sent a letter to the companies that filed a return showing they were entitled to the credit for tax year 2013, received in calendar year 2014. This does not mean that they actually took the credit, as the credit can be carried forward for 10 years, but simply that the activity that generated the credit took place in tax year 2013.

The letter was sent on March 26, 2015. We gave the companies until April 27 to file an amended return no longer claiming the credit, if they would not like their name to be included on the list. This list will be published May 1.

We chose to interpret “claimed a credit” to mean that the taxpayer files a return showing that they are entitled to the credit, regardless of whether the credit is used in that tax year to reduce the taxpayer’s liability. The disclosure lines up with the activity that generates it. So, in year 1, if a taxpayer carries the credit forward, it is considered claimed and the taxpayer will be listed. On the other hand, when the taxpayer uses the credit in YR5, they will not be listed (unless of course, they claim a new credit for activity that year). Following logically, we will interpret the taxpayer subject to the disclosure to be the entity claiming the credit, and not any pass through entity that might use it.

Overview (who will be on the list):

- Companies who completed activity in tax year 2013 that allowed them to claim the Research and Development Tax Credit
 - o Does not include pass-through entities that might use it, only the entity claiming the credit
 - o Does not include the individuals who might use it, only the entity



- The returns were filed in calendar year 2014
- The 27% change that was made is not reflected in this list as that is for activity generated in tax year 2014, filed in 2015, and published in 2016
- Will not show any companies that might have taken a credit to reduce the liability from a prior year’s activity
 - o For example: Taxpayer B files their return for activity in 2012 (filed in 2013). They choose to carry forward part of the credit. That credit is applied to their activity in tax year 2013 (filed in 2014). They do not have additional activity that generates a R&D credit, so their name will not appear on this list.

