

**VIRGINIA  
Form RDC**

**Application for Research and Development  
Expenses Tax Credit**

**Tax Year** \_\_\_\_\_

**Submit this form by April 1.**

**This credit must be approved before being claimed on your return. See instructions for details.**

Name		FEIN
Trading As		Contact Name
Street Address		Office Use Only
City, State, ZIP Code		
Phone Number	FAX Number	Email

Entity Type: (Check One)    ☐ Sole Proprietor    ☐ C Corporation    ☐ S Corporation  
☐ Partnership    ☐ LLC    ☐ Other \_\_\_\_\_

You may be able to claim a credit for certain qualified research and development expenses. Any taxpayer that is allowed a research and development expenses tax credit is not allowed to use the same expenses as the basis for claiming any other Virginia tax credit.

The credit amount you request will equal:

- 15 percent of the first \$167,000 in Total Virginia Qualified Research and Development Expenses (Column A below)
- OR -
- 20 percent of the first \$175,000 of Virginia Qualified Research and Development Expenses conducted in conjunction with a Virginia public or private college or university (Column B below). Attach a copy of the agreement.

Name of college or university \_\_\_\_\_

To compute your credit, complete Lines 1-6 below. Enter all Virginia qualified research and development amounts in Column A. If any portion of Virginia qualified research and development was conducted in conjunction with a Virginia public college or university, enter those amounts in Column B. Amounts reported on Lines 1-3 of Column A must include any expenses reported on Lines 1-3 of Column B.

Credit Calculation. Round to the nearest whole dollar.	A. All Qualified Research and Development (From Sch. A, Column C)	B. College and University Related Research and Development (From Sch. A, Column D)
1. <b>Virginia qualified research and development expenses.</b> Enter amount paid or incurred during the taxable year (from Schedule A of Form RDC).	\$ .00	\$ .00
2. <b>Virginia base amount for the taxable year.</b>	\$ .00	
3. <b>Adjusted expenses amount.</b> Subtract Line 2 from Line 1.	\$ .00	
4. <b>Total Eligible Research Expenses:</b> Enter in Column A the lesser of \$167,000 or the amount from Line 3, Column A. <b>Eligible College and University Research Expenses:</b> Enter in Column B the lesser of \$175,000 or the amount from Line 1, Column B.	\$ .00	\$ .00
5. <b>Credit Computation:</b> Multiply Line 4, Column A by .15 and enter in Column A. Multiply Line 4, Column B by .2 and enter in Column B.	\$ .00	\$ .00
6. <b>Credit Requested.</b> Enter the larger of Line 5, Column A or Line 5, Column B.		\$ .00

Do you conduct research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos?    ☐ Yes    ☐ No

I (we) the undersigned declare, under the penalties provided by law, that this form (including any accompanying schedules, statements, and attachments) has been examined by me (us) and is, to the best of my (our) knowledge and belief, a true, correct, and complete application, made in good faith pursuant to the income tax laws of the Commonwealth of Virginia.

Authorized Signature	Title	Date
Printed Name	Phone Number	
E-mail Address	FAX Number	

**Form RDC  
Schedule A**

**Research and Development Expenses  
Tax Credit Schedule**

**Tax Year**

Name as it Appears on Form RDC	FEIN or Social Security Number
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Complete the below schedule if claiming the Research and Development Expenses Tax Credit. Expenses for embryonic stem cell research should not be included in this schedule. Copies of Schedule A can be submitted if additional space is needed. Be sure the amounts reported in Column C include the amounts reported in Column D.

<b>A. Date of Expenditure</b>	<b>B. Description of Expenditure (Include name of college/university if applicable)</b>	<b>C. Total Virginia Qualified Research Expenditure</b>	<b>D. Total Virginia Qualified Research Expenditure in Connection with a College or University</b>
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
<b>Total</b>		<b>\$ .00</b>	<b>\$ .00</b>

# **Application Instructions for Research and Development Expenses Tax Credit**

## **General Information**

The Research and Development Expenses Tax Credit may be claimed against the individual and corporate income taxes for qualified research and development expenses for taxable years beginning on or after January 1, 2011, but before January 1, 2016. The tax credit amount is equal to (i) 15 percent of the first \$167,000 in Virginia qualified research and development expenses, or (ii) 20 percent of the first \$175,000 of Virginia qualified research and development expenses if the research was conducted in conjunction with a Virginia public or private college or university, to the extent the expenses exceed the base amount.

There is a \$5 million cap on the total amount of credits allowed in any fiscal year. If the total amount of tax credits applied for exceed the \$5 million limit, credits will be allocated on a pro rata basis.

If the total amount of approved tax credits is less than the \$5 million limit, the Department of Taxation will allocate the remaining amount to the taxpayers already approved for the tax credits for the taxable year in an amount equal to 15 percent of the second \$167,000 in qualified research expenses or 20 percent of the second \$175,000 in qualified research expenses if the research is conducted in conjunction with a Virginia public or private college or university.

Any taxpayer that is allowed a research and development expenses tax credit is not allowed to use the same expenses as the basis for claiming any other Virginia tax credit.

## **Determining the Virginia Base Amount**

In order to determine the Virginia Base Amount, please follow these steps:

### **Step 1 - Determine Fixed Base Percentage:**

- 1a. Determine the average amount of Virginia qualified research and development expenses for the three taxable years preceding the year in which the tax credit is being claimed. If the taxpayer has been in business for less than three years, but at least one, use the number of years in business instead of three.
- 1b. Determine the average of the total gross receipts for the three taxable years preceding the taxable year that the tax credit is being claimed, or the number of years used in step 1a, if less (must be at least one year).

- 1c. Calculate the percentage of Virginia qualified research and development expenses by dividing the average amount determined in step 1a by the average amount determined in step 1b. This is the "fixed base percentage."

### **Step 2 - Determine the Virginia Base Amount:**

- 2a. Determine average of the total gross receipts for the four taxable years preceding the taxable year that the tax credit is being claimed, or the number of years used for step 1b, if less.
- 2b. Multiply the fixed base percentage in step 1c by the average gross receipts in step 2a.
- 2c. Determine the greater of the amount in step 2b or 50% of Virginia qualified research expenses for the credit year." This is the "Virginia Base Amount."

## **Definitions**

"Virginia gross receipts" means the whole, entire, total receipts, without deduction.

"Virginia qualified research" means qualified research, as defined in § 41(d) of the IRC, as amended, that is conducted in Virginia. In general, this is research that is undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the development of a new or improved business component of the taxpayer.

"Virginia qualified research and development expenses" means qualified research expenses, as defined in § 41(b) of the IRC, as amended, incurred for Virginia qualified research. In general, this is the sum of the in-house research expenses and the contract research expenses.

## **Stem Cell Research**

If you conduct research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos, then no credit can be granted for the expenses paid or incurred for such research and development and any credit amount for other qualified research and development expenses cannot be refunded to you. These restrictions do not apply to research conducted using stem cells other than embryonic stem cells.

## **When to Submit Application**

Form RDC and any supporting documentation must be completed and mailed no later than April 1.

## Application Instructions for Research and Development Expenses Tax Credit

### What to Attach

- Attach a copy of the research agreement if reporting expenses in connection with a Virginia public or private college or university.
- If your company is located outside of Virginia and has employees or contracts with someone in Virginia, provide the following:
  - 1) location where research is conducted
  - 2) length of time spent on the project
  - 3) type of research conducted
- All applicants must provide details regarding the calculation of your Virginia base amount and outline the type of Research and Development being conducted in Virginia.
- All applicants must complete and attach Schedule A. Copies of Schedule A can be submitted if additional space is needed. You must retain a copy of any supporting documentation of these expenditures.

Upon request, you may be required to provide proof of purchase, such as an invoice, receipt, cancelled check, bank statement, or credit card statement.

### Where to Submit Application

Submit Form RDC and attachments to the **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or fax it to **804-367-3021**.

### What to Expect from the Department of Taxation

All applicants should receive a letter acknowledging their RDC application. **If you have applied by the April 1 deadline and have not received an acknowledgment letter from us by May 15, please call the Tax Credit Unit at 804-786-2992.** The Virginia Department of Taxation will review all applications for completeness and notify taxpayers of any errors by June 1. If any additional information is needed, it must be provided no later than June 15 in order to be considered for the tax credit. All eligible taxpayers shall be notified by June 30 as to the allowable credit amount that may be claimed.

### What Does the Taxpayer Need to Do

Upon receiving notification of the allowable credit amount, taxpayers may claim the allowable credit amount on the applicable Virginia income tax return. Taxpayers who do not receive notification of allowable credit amounts before their Virginia income tax return due date may file during the extension period or file their regular return without the credit and then file an amended tax return after receipt of notification of the allowable credit amount to claim the tax credit. As an attachment to their return, a corporation must file Form 500CR; an individual must file Schedule CR; and a pass-through entity must file Form 502-ADJ.

### IMPORTANT

All business taxpayers should be registered with the Department of Taxation before completing Form RDC. If you are not registered, complete Form R-1.

### Pass-Through Entities

In order to allocate the credit to the partners, shareholders, or members, each pass-through entity must file **Form PTE** with the Department of Taxation within 30 days after the credit is granted. This information should be sent to: **Department of Taxation, Attn: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715 OR** you may fax it to **804-786-2800**. **Please do not do both.**

All pass-through entities distributing this credit to its owner(s), shareholders, partners or members must give each a Schedule VK-1, Owner's Share of Income And Virginia Modifications And Credits.

### Where To Get Help

Write to the **Department of Taxation, ATTN: Tax Credit Unit, P. O. Box 715, Richmond, VA 23218-0715** or call **804-786-2992**.