

ILLINOIS 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 Illinois during the tax period.

Taxpayers can claim the R&D Tax Credit to use as a tax offset. The credit is non-refundable. Illinois tax returns can be amended as far back as three years to claim the credit.

CALCULATING THE BENEFIT

The Illinois R&D Credit is claimed using Illinois Schedule 1299-D (C-Corps) or 1299-A (S-Corps/Partnerships). Schedule 1299-D/A is submitted with the annual Illinois state return. The incentive is effective for returns due starting January 1, 2016 and is set to expire on December 31, 2021.

The credit is calculated using the Alternative Simplified Method (ASM), similar to the methodology used to calculate the Federal Alternative Simplified Credit. Using ASM, the credit is calculated as 6.5% of QREs in excess of the base period. The base period is calculated as the average of QREs incurred during the previous three tax periods.

If there is no base period available (e.g. first year with R&D expenditures), the credit is calculated as 6.5% of QREs for the current year.

UTILIZATION

The tax credit, including any carry forward amount, may be used to offset Illinois state tax liabilities.

Any amount in excess of the tax liability may be carried forward for a maximum of 5 consecutive tax periods. Any outstanding carry forward may be utilized after the December 31, 2021 expiration date.

SUMMARY OF STATE CREDIT

- Form: **IL Schedule 1299-D, 1299-A**
- Renewed: **January 1, 2016**
- Expiration: **December 31, 2021**
- Calc Rate: **6.5% of QREs over base period**
- Calc Rate w/o base period: **6.5% of QREs**
- Amendment Period: **3 years**
- Offset: **State tax liability**
- Refund: **None**
- Carry-forward: **5 years**

YR	TOTAL QREs	CREDIT CALCULATION	IL CREDIT
2019	\$750k	1) Base Amount: $(650 + 500 + 400) / 3 = 516.7$ 2) $750 - 516.7 = 233.3$ 3) $233.3 \times 6.5\%$	\$15.2k
Prior Year Amounts			
2018	\$650k		
2017	\$500k		
2016	\$400k		

