

# COLORADO 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 Colorado during the tax period.

Taxpayers can claim the R&D Tax Credit to offset a portion of their tax liability. As you need preauthorization to apply for and claim the credit, it is not possible to amend past Colorado tax returns.

Enterprise Zone credits are only available for business activity done in an Enterprise Zone.

**Enterprise Zone Pre-Certification:** For any credit generated after January 1, 2012, the R&D tax credit must be precertified by the zone administrator prior to any business activity that would generate the enterprise zone credit.

Precertification must be applied for online to the zone administrator. You may complete pre-certification for credits up to three months before the beginning of the business's tax year and pre-certification must occur before the expense is made.

## CALCULATING THE BENEFIT

**Enterprise Zone Certification:** To claim the R&D credit, certification applications must be completed online with Form DR 0077 before filing the CO income tax return for the year in which the credit was earned. The Certificate must then be submitted with your Colorado income tax return.

The credit is calculated as 3% of QREs in excess of the base amount. The base amount is calculated as the average of QREs incurred during the previous two tax periods.

## UTILIZATION

The total amount of the calculated credit must be divided equally over four years.

The taxpayer may claim 25% of the tax credit in the year the expenditure is made and 25% in each of the following three years.

## SUMMARY OF STATE CREDIT

- Form: **Enterprise Zone Certification DR 0077**
- Calc Rate: **3% of QREs over base amount**
- Base amount: **Average QREs of past 2 yrs**
- Amendment Period: **None; Preauth required**
- Carry-forward: **None** (*utilization of credit is spread over four tax years*)
- Offset: **25% of the tax credit each yr for 4 yrs**
- Refund: **None**

YR	TOTAL QREs	CREDIT CALCULATION	CO CREDIT
2019	\$750k	1) Base Amount: $[(650 + 500) / 2] = 575.0$ 2) $750 - 575.0 = 175.0$ 3) $175.0 \times 3\%$	\$5.25k
Prior Year Amounts			
2018	\$650k		
2017	\$500k		
2016	\$400k		

