

INDIANA 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 Indiana during the tax period.

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

Indiana also offers the following Research Tax Credit:

- Research and Development Sales Tax Exemption (on R&D equipment)

CALCULATING THE BENEFIT

The Indiana R&D Credit is claimed using IN Schedule IT-20REC and is submitted with the annual Indiana state income tax return. There are two methods available in calculating the credit:

1. **Regular Method:** the credit is calculated as 15% of the increase in QREs over the base amount, up to \$1M. Any QREs in excess of the \$1M are calculated at 10%. The base amount is calculated similar to the federal regular method using a fixed-base percentage.
2. **Alternative Simplified Method:** the credit is calculated as 10% of QREs in excess of 50%

of the average of the previous three years' QREs. If no QREs in all three prior years, credit is calculated as 5% of QREs.

UTILIZATION

The tax credit, including any carry forward amount, may be used to offset income tax.

Any amount in excess of the tax liability may be carried forward for a maximum of 10 consecutive tax periods.

SUMMARY OF STATE CREDIT

- Form: **IN Schedule IT-20REC**
- Expiration: **Permanent**
- Amendment Period: **3 years**
- Offset: **Tax liability**
- Refund: **None**
- Carry-forward: **10 years**

Calculation Methods

- **Regular Method:** 15% of QRE's over base up to 1 million, plus 10% of remaining QRE's
 - **Base Amount:** Follows Federal Method
- **ASC Method:** 10% of QREs in excess of 50% of the avg. of previous 3 yrs QREs
 - **If no previous yr QREs:** 5% of QREs

YR	TOTAL QREs	GROSS RECEIPTS	CREDIT CALCULATION	IN CREDIT
2019	\$750k	\$900k	1) FB% = 3% 2) AAGR = [(800 + 700 + 600 + 550) / 4] = 662.5 3) Base Amount = 662.5 x 3% = 19.9 4a) 750 - 19.9 = 730.1 4b) 750 x 50% = 375.0 5) 375.0 x 10% Note: Step 5) uses the minimum value from Step 4)	\$37.5k
Prior Year Amounts				
2018	\$650k	\$800k		
2017	\$500k	\$700k		
2016	\$400k	\$600k		
2015	\$300k	\$550k		

