



## REFUNDABLE RESEARCH AND DEVELOPMENT TAX CREDIT

For taxable years beginning on or after January 1, 2011, but before January 1, 2022, a taxpayer will be allowed a credit against the Virginia corporate income tax for qualified research and development expenses incurred in Virginia.

Businesses may claim a tax credit equal to 15% of the first \$300,000 (\$45,000) qualified research and development expenses incurred in Virginia. The credit may increase to 20% of the first \$300,000 (\$60,000) if the qualified research is conducted in conjunction with a Virginia college or university.

Effective for taxable years on or after January 1, 2016, a taxpayer may elect to calculate the credit for this program as 10% of the difference of the taxable year's qualified research and development expenses and 50% of the average of the previous three years of expenses. If no research and development expenses were incurred in any one of the previous three years, then the credit is equal to 5% of the of the qualified expenses during the relevant taxable year. Regardless of calculation method, the credit shall not exceed \$45,000 for any year. The exception is if the research is conducted in conjunction with a Virginia college or university. In this case the credit may not exceed \$60,000.

If the amount of the credit allowed exceeds the tax liability, the excess amount shall be refunded to the taxpayer.

There is a statewide cap of \$6 million per fiscal year for 2015 and 2016. The statewide cap will be \$7 million per fiscal year starting in 2017. If approved applications for credits are less than the credit cap, then the remaining balance of credits will be prorated, allowing the applicants to receive up to twice the amount of credits earned. If approved applications for credits exceed the statewide credit cap, the credits will be prorated among the applicants.

For more information: <http://lis.virginia.gov/cgi-bin/legp604.exe?161+ful+SB58ER>