

CTech Brown Bag Lunch Series



STATE OF CT RESEARCH AND DEVELOPMENT TAX CREDIT

**LISA LASARACINA AND ALEX MORGAN
FIONDELLA, MILONE & LASARACINA LLP**

Importance to CTech Companies



Under Connecticut's R&D tax credit exchange program, C corporations with \$70 million or less in annual revenues can redeem unused tax credits to the state for 65 cents on the dollar.

Alternatively, unused r&d credits can be carried forward

CT's 2 R&D Credits



- 1. From 1-6% of R&D expenditures based on the amount of such expenditures and size of company**
- 2. 20% of the R&D expenditures in CT in the current income year exceeding R&D expenditures of the prior taxable year**

Qualified Research Must Meet Four Tests



1. Research to Eliminate Technical Uncertainty
2. Technological in Nature
3. Process of Experimentation
4. Permitted Purpose

Research to Eliminate Technical Uncertainty



- Expenditures represent research and development costs in the experimental or laboratory sense if they are for activities intended to discover information that would eliminate uncertainty concerning the development or improvement of a product. Uncertainty exists if the information available to the taxpayer does not establish the capability or method for developing or improving the product or the appropriate design of the product.



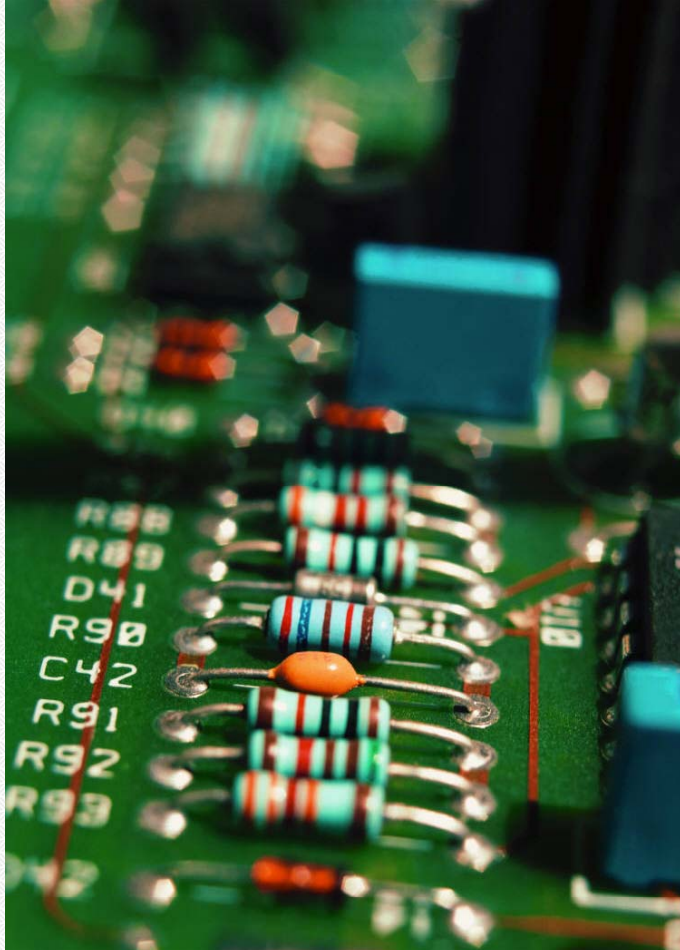
Examples of Technical Uncertainty



○ Elimination of Uncertainty Related to:

- ❖ Capability
- ❖ Appropriate design
- ❖ Reliability and stableness
- ❖ Process data size
- ❖ Multiple data sources
- ❖ Integration
- ❖ Security

Technological in Nature



- Research is technological in nature when the process of experimentation used to discover such information fundamentally relies on principles of the physical, biological, engineering or computer sciences.

Process of Experimentation



- The research must be conducted through a process of experimentation which is designed to evaluate one or more alternatives to achieve a result.

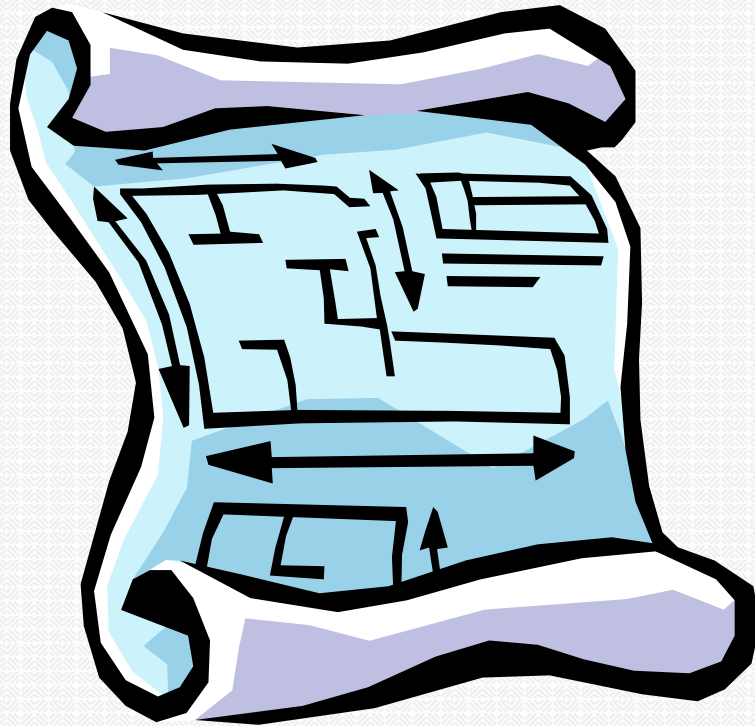


Permitted Purpose



The research must relate to:

1. A new or improved function;
2. A performance;
3. A reliability; or
4. A quality of the business component.



Excluded Activities



- Research after commercial production
- Activities related to production process or technique
- Adaptation of existing business components
- Duplication of existing business component

- Surveys, studies, research relating to management functions
- Foreign Research
- Research in the social sciences
- Research funded by any grant, contract, or otherwise

Qualifying Expenditures



- Wages (including fringe benefits) directly performing, supervising or supporting R&D process in CT
- Supplies consumed in the R&D process
- Outside Consultants performing research in CT
- Overhead costs incurred in CT

How to Apply for Refund



- Compute Credit
- Fill out CT Forms CT RDC and/or CT RC
- Fill out CT Form CT XCH (credit exchange form)
- Attach forms to CT1120

Contact Info



**Fiondella, Milone &
LaSaracina LLP**

**300 Winding Brook Drive
Glastonbury, CT 06033**

**Lisa LaSaracina
Tax Partner**

860 657 3651 x 11

**Alex Morgan
Tax Manager**

860 657 3651 x 49