

Delaware R&D Tax Credit



DELAWARE REWARDS INNOVATION

Companies of all sizes can maximize their R&D investment with Delaware's generous R&D tax credit. No other state can match it!

The tax credit rewards companies for conducting leading-edge research here in the State.

Because the credit is refundable, early-stage companies that are not yet profitable can still benefit from the State credit.

No annual expenditure cap means that larger companies can conduct financial planning with more certainty.

The credit can fuel further innovation, attract investors and increase the value of the company.

ONE MORE
REASON WHY
DELAWARE IS THE
RIGHT PLACE FOR
YOUR BUSINESS.

What is the Delaware Research & Development tax credit?

Delaware companies can receive a tax credit for all eligible spending on research and development activities conducted in the state. The Delaware credit is 50 percent of the amount eligible for the federal credit. That means if a company receives a federal credit of \$1 million, it can receive an additional \$500,000 tax credit from Delaware for the same R&D expenses.

How does it work?

Companies use federal R&D tax credit guidelines to determine whether their activities qualify for a tax credit. Any R&D activity conducted in Delaware that qualifies for a federal tax credit automatically qualifies for Delaware's credit.

How is it different from before?

Until this year, Delaware had a \$5 million expenditure cap for R&D tax credits. That cap has been eliminated, which means that companies receive 100 percent of the expected credit. In addition, the tax credit is now refundable.

How does Delaware compare to other states?

Delaware is the only state in the country that combines a zero-expenditure cap and refundable tax credit.

Which companies are eligible?

Any company that has a tax liability in Delaware and conducts R&D activity in the State is eligible.

How do I apply for a Delaware R&D tax credit?

- Work with your accountant to determine if you qualify for the federal R&D tax credit.
- Carefully track all eligible R&D expenses.
- Apply for the federal R&D tax credit, and submit the federal approval to Delaware for automatic approval of the State tax credit.

What if my credit is more than the taxes I owe to Delaware?

The State will issue your company a tax refund for the difference.

I own a small start-up. What should I know about the tax credit?

- Delaware's tax credit is refundable, so even if your company is not yet generating a profit, you can benefit from the credit.
- For small businesses with annual gross receipts under \$20 million, the State credit is doubled to 100 percent of the federal credit.

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