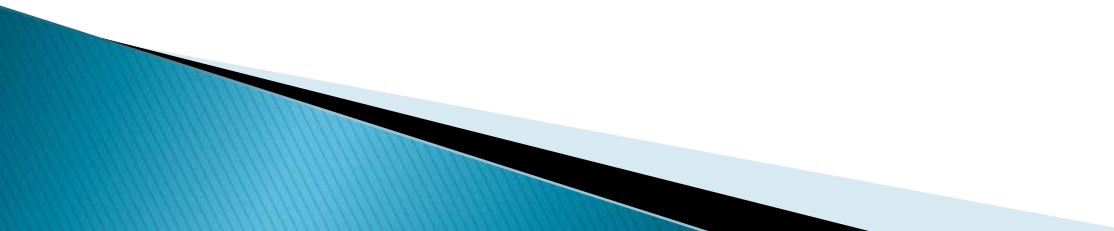


Delaware Research & Development Tax Credit

State of Delaware

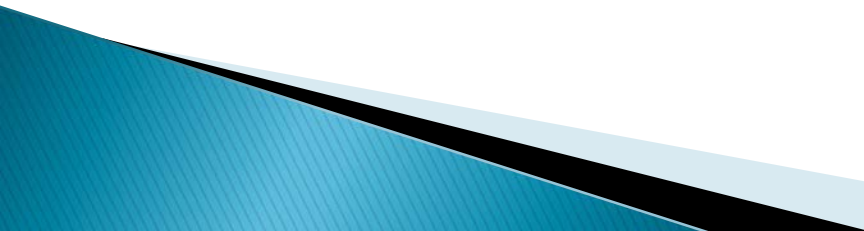
Michael R. Smith – Assistant Director

Delaware R&D Tax Credit

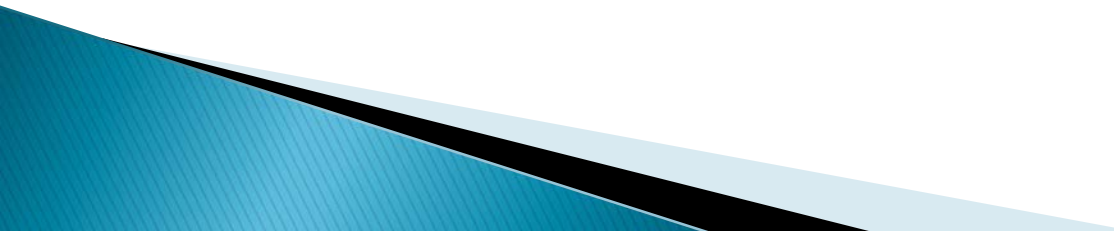
- ▶ Must be a qualified entity
 - ▶ Must incur qualified research & development expenses as defined in IRC Section 41(c)
 - ▶ Federal Form 6765 and Delaware form 2070
- 

Delaware R&D Tax Credit

The credit is equal to:

- ▶ 10% of the excess of the taxpayer's total Delaware qualified research and development expenses for the taxable year over the taxpayer's Delaware base amount
 - ▶ 20 % for small businesses (less than \$20MM in gross receipts)
- 

Delaware R&D Tax Credit

- ▶ 50% of Delaware's apportioned share of taxpayer's federal research and development tax credit calculated using the alternative incremental credit method under Section 41(c)4 of the Internal Revenue Code
 - ▶ 100% for small businesses
- 

Delaware R&D Tax Credit

Before and after

Tax Years Prior to 2017

- ▶ Credit is limited to 50% of the Delaware income tax liability. Any unused credit may be carried forward and applied to no more than 15 succeeding taxable years following the first taxable year for which the taxpayer was entitled to claim the credit
- ▶ Total credits capped at \$5mm. If applications exceeded \$5mm then prorate credit

Tax Years 2017 forward

- ▶ Credit is no longer limited. Credit is now refundable therefore any unused portion can be received as a tax refund.
- ▶ Total credits are no longer capped.

Delaware R&D Tax Credit

Before and after

Tax Years Prior to 2017

- ▶ Taxpayer had to make application for credit on Delaware form 2070AC and attached federal form 6765 prior to September 15 of the tax year.
- ▶ Delaware's apportioned amount of the federal R&D credit was then taken on Delaware form 700 under non-refundable credits.

Tax Years 2017 forward

- ▶ Taxpayer no longer has to make application for the credit. Taxpayer must fill out form 2070 and attached federal form 6765
- ▶ Delaware's apportioned amount of the federal R&D credit is now taken on Delaware form 700 under refundable credits