VIRGINIA
Form MRD

Application for Major Research and Development Expenses Tax Credit

Tax Year _____

For Taxable Years Beginning On and After January 1, 2016

Submit this form and supporting documentation by July 1.

This credit must be approved before being claimed on your return. See the instructions for details.

Taxpayer Information

Name		☐ FEIN ☐ SSN
Trading As		☐ Fiscal Year Filer _____ to _____
Street Address		Contact Name
City, State, ZIP Code		
Phone Number	Fax Number	Email
NAICS Code	NAICS Description	

Section 1 - Credit Calculation.

Total current calendar year Virginia qualified research and development expenses must be in excess of $5 million to claim the Major Research and Development Expenses Tax Credit. See instructions and Schedule B.

1.	**Total Adjusted Research and Development Expenses.** If you incurred research and development expenses for the 3 preceding taxable years, enter the amount from Schedule B, Section 4, Line 4c. If you did not incur research and development expenses for the 3 preceding taxable years, enter the amount from Schedule B, Section 1, Line 1a.	.00
2.	**Credit Computation.** ☐ If you incurred research and development expenses for the 3 preceding taxable years, check here and multiply the amount on Line 1 by 10% (0.1). ☐ If you did not incur research and development expenses for the 3 preceding taxable years, check here and multiply the amount on Line 1 by 5% (0.05).	.00

Section 2 - Credit Information

1.	Number of full time employees during the year for which the credit is sought.	
2.	Total gross receipts or anticipated gross receipts for the taxable year the credit is sought.	
3.	If you applied for any other credits this year, identify the credit(s):	
4.	**Research Field:** ☐ Engineering ☐ Medical	☐ Biotechnology ☐ Food & Beverage Development ☐ Technology
		☐ Cyber Security ☐ Industrial ☐ Other _____

5.	Provide a brief description of the area, discipline, or field of Virginia qualified research performed. Attach statement or other documentation if more space is needed.
6.	Do you conduct research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos? ☐ **Yes** ☐ **No**

I (we) the undersigned declare, under the penalties provided by law, that this form (including any accompanying schedules, statements, and attachments) has been examined by me (us) and is, to the best of my (our) knowledge and belief, a true, correct, and complete application, made in good faith pursuant to the income tax laws of the Commonwealth of Virginia.

Authorized Signature	Title	Date
Printed Name	Phone Number	
Email Address	Fax Number	

Form MRD Schedule A

Major Research and Development Expenses Tax Credit Schedule

Tax Year _____

Name as it Appears on Form MRD	☐ FEIN ☐ SSN

All filers must complete Section 1 of this schedule if claiming the Major Research and Development Expenses Tax Credit. If claiming the Major Research and Development Expenses Tax Credit on the basis of qualified employee wages, Section 2 of this worksheet must also be completed. Expenses for embryonic stem cell research should not be included in this schedule. Copies of Schedule A can be submitted if additional space is needed.

Section 1 - Expenditure Details (Must be completed by all taxpayers)

Column A. Date of Expenditure	Column B. Description of Expenditure	Column C. Total Virginia Qualified Research Expenditure
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
	Total	.00

Va. Dept. of Taxation 1600031 Rev. 08/16

Research and Development Expenses Tax Credit Schedule

Tax Year _____

Section 2 - Wage Details (Complete if claiming R&D tax credit on the basis of qualified wages)		
Column A. Employee Name	Column B. Employee SSN	Column C. Salary Allocated to Qualified Research
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00
		.00

Form MRD Schedule B

Major Research and Development Worksheet for Determining the Adjusted Research and Development Expenses

Tax Year _____

Name as it Appears on Form MRD	☐ FEIN ☐ SSN

Section 1 - Virginia Qualified Research and Development Expenses		
Fiscal year filers: Include expenditures for Calendar Year 2016 (CY), regardless of fiscal year (FY) incurred.		
1a.	**Virginia Qualified Research and Development Expenses in CY 2016.** Enter the total from Schedule A, Section 1, Column C. These expenses must be in excess of $5 million in order to claim the Major Research and Development Expenses Tax Credit. (For FY filers, this will include a portion of 2 taxable years).	.00
1b.	Short year filers **only**: Enter the number of days included in the short year.	.00
1c.	Short year filers **only**: Divide the number of days in Line 1b by 365 (366 if a leap year).	.00
Section 2 - Determination of How to Compute the Credit		
2.	Were research and development expenses paid or incurred for the 3 taxable years immediately preceding the taxable year for which the credit is being claimed? If "Yes," complete Sections 3 and 4. If "No," **stop here** and enter the amount on 1a above on Form MRD Section 1, Line 1	☐ **Yes** ☐ **No**
Section 3 - Average Qualified Research and Development Expenses Computation		
The Average Qualified Research and Development Expenses for the 3 taxable years ending before the CY 2016.		
3a.	Expenses for the 3rd preceding taxable year (CY filers, enter expenses for Taxable Year 2013. FY filers, enter expenses for Taxable Year 2012).	.00
3b.	Expenses for the 2nd preceding taxable year (CY filers, enter expenses for Taxable Year 2014. FY filers, enter expenses for Taxable Year 2013).	.00
3c.	Expenses for the preceding taxable year (CY filers, enter expenses for Taxable Year 2015. FY filers, enter expenses for Taxable Year 2014).	.00
3d.	**Total expenses from preceding 3 taxable years** Add Lines 3a - 3c.	.00
3e.	**Average qualified research and development expenses for the preceding 3 taxable years** Divide amount on Line 3d by 3. If the credit year is a short taxable year, multiply the average qualified research and development expenses for the preceding 3 taxable years by the amount determined in Line 1c.	.00
Section 4 - Adjusted Expenses		
	For filers with Virginia qualified research and development expenses for the preceding 3 taxable years.	
4a.	Enter the current year expenses amount from Line 1a.	.00
4b.	Multiply the total average expenses on Line 3e by 50% (0.5).	.00
4c.	Subtract Line 4b from Line 4a.	.00

Application Instructions for the Major Research and Development Expenses Tax Credit

General Information

For taxable years beginning on or after January 1, 2016, but before January 1, 2022, taxpayers with Virginia qualified research and development expenses in excess of $5 million for a taxable year may claim the Major Research and Development Expenses Tax Credit against the individual and corporate income taxes. The tax credit amount is equal to: 10% of the difference of (i) the Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year and (ii) 50% of the average Virginia qualified research and development expenses paid or incurred by the taxpayer for the 3 taxable years immediately preceding the taxable year for which the credit is being determined. If the taxpayer did not pay or incur Virginia qualified research and development expenses in any 1 of the 3 taxable years immediately preceding the taxable year for which the credit is being determined, the tax credit is equal to 5% of the Virginia qualified research and development expenses paid or incurred by the taxpayer during the relevant taxable year.

There is a $20 million cap on the total amount of credits allowed in any fiscal year. If the total amount of credits exceed $20 million for any taxable year, the Department will apportion the credits by dividing $20 million by the total amount of tax credits approved to determine the percentage of allowed tax credits each taxpayer shall receive

The credit amount for the taxable year may not exceed 75% of the total tax amount of the taxpayer for the year in which the credit is being claimed. Any credit not used in the taxable in which the credit was first allowed may be carried over against the income taxes of the taxpayer for the next 10 succeeding tax years or until the total amount of the tax credit has been taken, whichever is sooner.

Any taxpayer who is allowed a research and development expenses tax credit is not allowed to use the same expenses as the basis for claiming any other Virginia tax credit. No taxpayer may claim both this credit and the Research and Development Expenses Tax Credit.

For additional information regarding the credit, see the Major Research and Development Expenses Tax Credit Guidelines, which are available on the Department's website at **www.tax.virginia.gov**.

Computing the Average Amount of Virginia Qualified Research and Development Expenses for Short Taxable Years

When determining the average amount of Virginia qualified research and development expenses for the three years preceding the credit year, if one or more of the three taxable years preceding the credit year is a short taxable year, then the Virginia qualified research and development expenses for such year must be modified by multiplying that amount by 365 (366 in a leap year) and dividing the result by the number of days in the short taxable year

Definitions

"Virginia qualified research" means qualified research, as defined in IRC § 41(d), as amended, that is conducted in Virginia. In general, this is research that is undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the development of a new or improved business component of the taxpayer.

"Virginia qualified research and development expenses" means qualified research expenses, as defined in IRC § 41(b), as amended, incurred for Virginia qualified research. In general, this is the sum of the in-house research expenses and the contract research expenses.

Stem Cell Research

Research and development expenses that are paid or incurred for research conducted in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from embryos do not qualify for the credit. Research and development expenses that are paid or incurred for research conducted in Virginia on nonhuman embryonic stem cells may qualify for the credit.

When to Submit Application

Form MRD and any supporting documentation must be completed and mailed no later than July 1.

For any application received without a postmark, the date received by the Department will be used to determine if the application was received by the filing deadline.

What to Attach

To allow us to process this application, provide the following:

- Outline of the type of research and development being conducted in Virginia.
- Details regarding the qualified contractors:
  1. Location where research was conducted
  2. Length of time spent on project
  3. Type of research conducted
  4. Payroll expenses
  5. Total qualified expenses
- All applicants must complete and attach Schedule A and Schedule B. If claiming the Major Research and Development Credit on the basis of qualified wages, complete Section 2 of the Schedule A in addition to Section 1. Additional Schedules A can be submitted if additional space is needed. You must retain a copy of any supporting documentation of these expenditures. Upon request, you may be required to provide proof of purchase, such as an invoice, receipt, cancelled check, bank statement, or credit card statement.

Where to Submit Application

Submit Form MRD and attachments to the **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or fax it to **(804) 774-3902**

What to Expect from the Department

If the Department needs additional information the agency will contact you by September 1 and you will have until September 15 to respond. If you have not received acknowledgement of your application by September 15, call **(804) 786-2992**.

The Department will issue the credit by September 30. If you have not received your credit certification by October 15, call **(804) 786-2992**.

What Does the Taxpayer Need to Do

Upon receiving notification of the allowable credit amount, taxpayers may claim the allowable credit amount on the applicable Virginia income tax return. Taxpayers who do not receive notification of allowable credit amounts before their Virginia income tax return due date may file during the extension period or file their regular return without the credit and then file an amended tax return after receipt of notification of the allowable credit amount to claim the tax credit. As an attachment to their return, a corporation must file Form 500CR; an individual must file Schedule CR; and a pass-through entity must file Form 502ADJ.

IMPORTANT

Online Worksheet: A spreadsheet template of Schedule B is available for download on the Tax Credit section of the Department's website, **www.tax.virginia.gov**. Use this spreadsheet to compute the Major Research and Development credit amount.

All business taxpayers should be registered with the Department before completing Form MRD. If you are not registered, complete Form R-1.

If the tax return upon which this credit will be claimed is due on or before September 30, you may need to either submit an extension payment for any tax due or file an amended return once you have received the credit certification.

Pass-Through Entities

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) will be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership interests in such entities or in accordance with a written agreement entered into by such individual partners, members, or shareholders.

In order to allocate the credit to the partners, shareholders, or members, each pass-through entity must file **Form PTE** with the Department within 30 days after the credit is granted. This information should be sent to: **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **(804) 774-3902. Please do not do both.**

All pass-through entities distributing this credit to their owner(s), shareholders, partners, or members must give each a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits.

Where To Get Help

Write to the **Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or call **(804) 786-2992.**

MAJOR R&D ATTACHMENT CHECKLIST

Must be included with Form MRD

Company Name: _____

☐ A brief description of the area, discipline, or field of Virginia qualified research performed. If necessary, attach documentation.

☐ Check the applicable box on Form MRD to indicate whether you conduct research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos.

☐ The Schedules A and B.

☐ Details regarding qualified wages. Include employee names, SSNs, and salary allocated to qualified research and development activities. This information can be provided on Section 2 of Schedule A.

☐ A description of the supplies and their cost when claiming supplies as research expenses.

☐ Details regarding the qualified Contractors:

1) Location where research is conducted
2) Length of time spent on the project
3) Type of research conducted
4) Payroll expenses

The Department will be unable to process the application until all of the required attachments have been submitted.