VIRGINIA
Form RDC

Application for Research and Development Expenses Tax Credit

Tax Year _____

Submit this form and supporting documentation by April 1.

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

Name			FEIN
Trading As			☐ Fiscal Year Filer _____ to _____
Street Address			Contact Name
City, State, ZIP Code			Office Use Only
Phone Number	FAX Number	Email	NAICS Code

Entity Type: (Check One) ☐ Sole Proprietor ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ LLC ☐ Other _____

To compute your credit, complete Lines 1-6 below. Enter all Virginia qualified research and development amounts in Column A. If any portion of Virginia qualified research and development was conducted in conjunction with a Virginia public college or university, enter those amounts in Column B. Amounts reported on Lines 1-3 of Column A must include any expenses reported on Lines 1-3 of Column B.

Credit Calculation. Round to the nearest whole dollar.	A. All Qualified Research and Development (From Sch. A, Column C)	B. College and University Related Research and Development (From Sch. A, Column D)
1. **Virginia qualified research and development expenses.** Enter amount paid or incurred during the taxable year (from Schedule A of Form RDC).	$ .00	$ .00
2. **Virginia base amount for the taxable year.**	$ .00	
3. **Adjusted expenses amount.** Subtract Line 2 from Line 1.	$ .00	
4. **Total Eligible Research Expenses**. Enter in Column A the lesser of $234,000 or the amount from Line 3, Column A. **Eligible College and University Research Expenses**. Enter in Column B the lesser of $234,000 or the amount from Line 1, Column B.	$ .00	$ .00
5. **Credit Computation**. Multiply Line 4, Column A by .15 and enter in Column A. Multiply Line 4, Column B by .2 and enter in Column B.	$ .00	$ .00
6. **Credit Requested**. Enter the larger of Line 5, Column A or Line 5, Column B.		$ .00

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 research was conducted in conjunction with a Virginia public or private college or university, enter name of college or university. Attach a copy of the agreement.	
4. If you applied for any other credits this year, identify the credit(s) below.	
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	

Rev 07/15 3101050

Form RDC
Schedule A

Research and Development Expenses Tax Credit Schedule

Tax Year _____

Name as it Appears on Form RDC	FEIN or Social Security Number

Complete the below schedule if claiming the Research and Development Expenses Tax Credit. 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. Be sure the amounts reported in Column C include the amounts reported in Column D.

A. Date of Expenditure	B. Description of Expenditure (Include name of college/university, if applicable)	C. Total Virginia Qualified Research Expenditure	D. Total Virginia Qualified Research Expenditure in Connection with a College or University
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
		.00	.00
	Total	$ .00	$ .00

Application Instructions for the Research and Development Expenses Tax Credit

General Information

The Research and Development Expenses Tax Credit may be claimed against the individual and corporate income taxes for qualified research and development expenses for taxable years beginning on or after January 1, 2011, but before January 1, 2019. The tax credit amount is equal to (i) 15 percent of the first $234,000 in Virginia qualified research and development expenses, or (ii) 20 percent of the first $234,000 of Virginia qualified research and development expenses if the research was conducted in conjunction with a Virginia public or private college or university, to the extent the expenses exceed the base amount.

There is a $6 million cap on the total amount of credits allowed in any fiscal year. If the total amount of tax credits applied for exceed the $6 million limit, credits will be allocated on a pro rata basis.

If the total amount of approved tax credits is less than the $6 million limit, the Department will allocate the remaining amount to the taxpayers already approved for the tax credits for the taxable year in an amount equal to 15 percent of the second $234,000 in qualified research expenses or 20 percent of the second $234,000 in qualified research expenses if the research is conducted in conjunction with a Virginia public or private college or university.

Any taxpayer that 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.

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

Determining the Virginia Base Amount

In order to determine the Virginia Base Amount, please follow these steps:

Step 1 - Determine Fixed Base Percentage:

1a. Determine the average amount of Virginia qualified research and development expenses for the three taxable years preceding the year in which the tax credit is being claimed. If the taxpayer has been in business for less than three years, but at least one, use the number of years in business instead of three.

1b. Determine the average of the total gross receipts for the three taxable years preceding the taxable year that the tax credit is being claimed, or the number of years used in Step 1a, if less.

1c. Calculate the percentage of Virginia qualified research and development expenses by dividing the average amount determined in Step 1a by the average amount determined in Step 1b. This is the "fixed base percentage."

Step 2 - Determine the Virginia Base Amount:

2a. Determine average of the total gross receipts for the four taxable years preceding the taxable year that the tax credit is being claimed, or the number of years used for Step 1b, if less.

2b. Multiply the fixed base percentage in Step 1c by the average gross receipts in Step 2a.

2c. Determine the greater of the amount in Step 2b or 50% of Virginia qualified research expenses for the credit year." This is the "Virginia Base Amount."

Definitions

"Virginia gross receipts" means the whole, entire, total receipts, without deduction.

"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. However, if a taxpayer engaged in research in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos, it may receive a nonrefundable credit for other Virginia qualified research and development expenses. If the amount of nonrefundable credit that a taxpayer is allowed to claim exceeds the taxpayer's tax liability for the taxable year, then the excess amount of credit will not be refunded to the taxpayer and cannot be carried over to future taxable years. 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 RDC and any supporting documentation must be completed and mailed no later than April 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:

- Details regarding the calculation of your Virginia Base

Amount. Call 804-786-2992 to request the calculation spreadsheet format for calendar and fiscal filers.

- Outline of the type of research and development being conducted in Virginia.
- Details regarding the qualified wages, if any (total per employee per year).
- 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
- Attach a copy of the research agreement if reporting expenses in connection with the Virginia public or private college or university.
- All applicants must complete and attach Schedule A. Copies of Schedule 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 RDC 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 May 1 and you will have until May 15 to respond. If you have not received acknowledgement of your application by May 31, call 804-786-2992.

The Department will issue the credit by June 30. If you have not received your credit certification by July 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

All business taxpayers should be registered with the Department before completing Form RDC. 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 May 1, 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

Effective for taxable years beginning on or after January 1, 2014, a partnership, limited liability company, or electing small business corporation (S corporation) may elect to receive and claim the credit at the entity level. If this election is not made, credits must be allocated to the individual partners, members, or shareholders 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 **804-786-2800. Please do not do both.**

All pass-through entities distributing this credit to its 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.**

Form RDC Worksheet for Computing the Virginia Base Amount

Fiscal year filers: Include expenditures and gross receipts for Calendar Year 2015 (CY), regardless of fiscal year (FY) incurred.

1 VA Qualified Research and Development Expenses

1a. VA Qualified Research and Development Expenses in CY 2015.
For FY filers, this will include a portion of 2 taxable years. . . . . .

1b. Short year filers **only**: Enter the number of months included in the short year. . . . . .

1c. Short year filers **only**: Divide the number of months in Line 1b by 12. . . . . .

2 Determine the Fixed Base Percentage

The Average Qualified Research and Development Expenses for the 3 taxable years ending before the CY 2015.

2a. Expenses for the third preceding taxable year (CY filers, enter expenses for Taxable Year 2012.
FY filers, enter expenses for Taxable Year 2011). . . . . .

2b. Expenses for the second preceding taxable year (CY filers, enter expenses for Taxable Year 2013.
FY filers, enter expenses for Taxable Year 2012.). . . . . .

2c. Expenses for the preceding taxable year (CY filers, enter expenses for Taxable Year 2014.
FY filers, enter expenses for Taxable Year 2013.). . . . . .

2d. **Total Expenses** Add Lines 2a - 2c . . . . . .

2e. **Average Qualified Research and Development Expenses for the Prior 3 Taxable Years**
Divide amount on Line 2d by 3 . . . . . .

The Average Total Gross Receipts for the 3 taxable years ending before the CY 2015.

2f. Gross receipts for the third preceding taxable year (CY filers, enter the gross receipts for Taxable Year 2012. FY filers enter gross receipts for Taxable Year 2011.) . . . . . .

2g. Gross receipts for the second preceding taxable year (CY filers, enter gross receipts for Taxable Year 2013. FY filers enter gross receipts for Taxable Year 2012.). . . . . .

2h. Gross receipts for the preceding taxable year (CY filers, enter gross receipts for Taxable Year 2014.
FY filers enter gross receipts for Taxable Year 2013.). . . . . .

2i. **Total Gross Receipts** Add Lines 2f through 2h . . . . . .

2j. **Average Gross Receipts for Prior 3 Taxable Years** Divide Line 2i by 3 . . . . . .

2k. **Percentage of Virginia Qualified Research and Development Expenses** Divide Line 2e by 2j
(round to 4 decimal places) . . . . . .

3 Determine the Virginia Base Amount

The Average Total Gross Receipts for the 4 taxable years ending before the CY 2015.

3a. Gross receipts for the fourth preceding taxable year (CY filers, enter gross receipts for Taxable Year 2011. FY filers enter gross receipts for Taxable Year 2010.) . . . . . .

3b. Gross receipts for the third preceding taxable year (CY filers, enter gross receipts for Taxable Year 2012. FY filers enter gross receipts for Taxable Year 2011.) . . . . . .

3c. Gross receipts for the second preceding taxable year (CY filers, enter gross receipts for Taxable Year 2013. FY filers enter gross receipts for Taxable Year 2012.). . . . . .

3d. Gross receipts for the preceding taxable year (CY filers, enter gross receipts for Taxable Year 2014. FY filers enter gross receipts for Taxable Year 2013.) . . . . . .

3e. **Total Gross Receipts** Add Lines 3a through 3d. . . . . .

3f. **Average Gross Receipts for Prior 4 Taxable Years** Divide Line 3e by 4. . . . . .

3g. **Base Amount** Calendar Year Filers: Multiply Line 2k by Line 3f
Short Year Filers: Multiply Line 2k by Line 3f. Then multiply the product by Line 1c. . . . . .

4 Virginia Base Amount Your Virginia Base Amount is the greater of the amount on Line 3g OR 50% of the 2015 Virginia Qualified Expenses from Line 1a. Enter here and on Form RDC, Line 2a.. . . . . .

To obtain this worksheet in a spreadsheet format, visit **www.virginia.gov** under “What’s New for Tax Credits”.

R&D ATTACHMENT CHECKLIST

Must be included with Form RDC

Company Name: _____

- ☐ Provide details regarding the calculation of your Virginia Base Amount. Attach the Form RDC Worksheet for Computing the Virginia Base Amount. To obtain the worksheet in a spreadsheet format, visit **www.tax.virginia.gov** under Tax Credits.
- ☐ Include a brief description of the area, discipline or field of Virginia qualified research performed. If necessary, attach documentation.
- ☐ Provide details regarding qualified wages. Include names and total salary for each employee for the credit year.
- ☐ 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
- ☐ For university related research, when payments are made directly to the university, please attach proof of payment such as a copy of a cancelled check or statement of electronic transfer.
- ☐ When claiming supplies as research expenses please include a description of the supplies and their cost.
- ☐ Check the applicable box on Form RDC 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.
- ☐ If the Virginia qualified research was conducted in conjunction with a Virginia public or private college or university please attach a copy of the research agreement.

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