

**Virginia
Form RDC**

**Application for Research and Development
Expenses Tax Credit**

**Taxable Year
2023**

Submit this form and supporting documentation by September 1.

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

Taxpayer Information			
Business Name		<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	
Trading As		<input type="checkbox"/> Fiscal Year Filer _____ to _____	
Street Address			
City, State, ZIP Code		Email Address	
Contact Name		Phone Number	Fax Number
NAICS Code	NAICS Description		

Instructions

To compute your credit using the primary credit computation, complete Lines 1-7 of Section 1. 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 1-4 of Column A must include any expenses reported on Lines 1-4 of Column B. If electing the alternative simplified method of computing the credit, skip to Section 2. All applicants must complete Section 3.

Section 1 – Primary Credit Calculation Round to the nearest whole dollar.	Column A All Qualified Research and Development Amounts	Column B College and University Related Research and Development Amounts
1. Virginia Qualified Research and Development Expenses. Enter amount paid or incurred during the calendar year. (See Schedule A, Section 1, Line 4, Columns A and B).	\$.00	\$.00
2. College and University Expenses Percentage. If expenses were incurred in conjunction with a Virginia college or university, divide the amount on Line 1, Column B by the amount on Line 1, Column A. Enter in Column B.		%
3. Virginia Base Amount for the Taxable Year. Enter the amount from Schedule B, Line 4a in Column A. College and University Base Amount. If expenses were incurred in conjunction with a Virginia college or university, multiply the amount in Column A by the percentage on Line 2 and enter in Column B.	\$.00	\$.00
4. Adjusted Expenses Amount. Subtract Line 3 from Line 1.	\$.00	\$.00
5. Total Eligible Research Expenses. Enter in Column A the lesser of \$300,000 or the amount from Line 4, Column A. Eligible College and University Research Expenses. Enter in Column B the lesser of \$300,000 or the amount from Line 4, Column B.	\$.00	\$.00
6. Credit Computation. Multiply Line 5, Column A by 15% (0.15) and enter in Column A. Multiply Line 5, Column B by 20% (0.2) and enter in Column B.	\$.00	\$.00
7. Credit Requested. Enter the greater of Line 6, Column A (not to exceed \$45,000) or Column B (not to exceed \$60,000).		\$.00

Section 2 – Alternative Simplified Credit Calculation	Column A All Qualified Research and Development Amounts	Column B College and University Related Research and Development Amounts
See instructions and Schedule C for information on calculating the Adjusted Calendar Year Qualified Research and Development Expenses.		
1. Total Adjusted Calendar Year Qualified Research and Development Expenses. Enter the amount(s) from Schedule C, Line 4e in the applicable column(s). Taxpayers without qualified research and development expenses for the preceding 3 taxable years, enter the applicable amount(s) from Schedule C, Line 1a in the applicable column(s).	\$.00	\$.00
2. Credit Computation. <input type="checkbox"/> If you incurred research and development expenses for the 3 preceding taxable years, check here and multiply the amount on Line 1, Column A and Line 1, Column B (if applicable) by 10% (0.1). <input type="checkbox"/> If you did not incur research and development expenses for the 3 preceding taxable years, check here and multiply the amount on Line 1, Column A and Line 1, Column B (if applicable) by 5% (0.05).	\$.00	\$.00
3. Credit Requested. Enter the greater of Line 2, Column A (not to exceed \$45,000) or Column B (not to exceed \$60,000).		\$.00

Section 3 – 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. Enclose a copy of the agreement.	
4. Have you ever received a federal credit for these research activities? <input type="checkbox"/> Yes (If yes, enclose federal Form 6765) <input type="checkbox"/> No	
5. If you applied for any other Virginia tax credits this year, identify the credit(s) below.	
6. Research Field: <input type="checkbox"/> Biotechnology <input type="checkbox"/> Cyber Security <input type="checkbox"/> Industrial <input type="checkbox"/> Engineering <input type="checkbox"/> Food & Beverage Development <input type="checkbox"/> Other _____ <input type="checkbox"/> Medical <input type="checkbox"/> Technology	
7. Provide: (1) A description of your research project(s). (2) A summary of how this research qualifies as defined in IRC § 41(d). _____	
8. 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? <input type="checkbox"/> Yes <input type="checkbox"/> No	
9. If you are a pass-through entity, do you plan to allocate your credit? <input type="checkbox"/> Yes <input type="checkbox"/> No	

I (we) the undersigned declare, under the penalties provided by law, that this form (including any accompanying schedules, statements, and enclosures) 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 RDC
Schedule A**

**Research and Development Expenses Tax Credit
Summary of Qualified Expenses**

**Taxable Year
2023**

Name as it Appears on Form RDC

- FEIN
 SSN

Supplemental Forms Checklist

Prior to completing the Form RDC Schedule A, qualified expenses must be recorded on the applicable expense forms. Check the boxes below to indicate which supplemental forms have been used to complete this schedule. See the instructions on these forms for details.

- Schedule RD-CON, Research and Development Tax Credits Schedule of Contract Research Expenses:** Complete and submit this schedule if claiming the credit on the basis of contract research expenses.
- Schedule RD-SUP, Research and Development Tax Credits Schedule of Supply Expenses:** Complete and submit this schedule if claiming the credit on the basis of supplies used in the conduct of qualified research.
- Schedule RD-WAGE, Research and Development Tax Credits Schedule of Qualified Wages:** Complete and submit this schedule if claiming the credit on the basis of qualified wages.

Instructions for Schedule A

Do not include expenses incurred in relation to research conducted in Virginia on human cells or tissue derived from induced abortions or stem cells obtained from embryos. See the Form RDC instructions and IRC § 41 for additional requirements regarding qualified research and development expenses.

Section 1 – Summary of Expenses: All filers must complete Section 1. In Column A, enter the total amount of qualified research and development expenses that were reported on the expense schedule(s) listed above. If claiming the Research and Development Expenses Tax Credit for expenses incurred in connection with a college or university, enter those amounts in Column B. The amounts reported in Column A must include the amounts entered in Column B.

Section 2 – List of Colleges & Universities: Filers who are claiming the credit based on college and university related expenses must report the names of the institutions in Section 2. A copy of the research agreement must also be enclosed with the Form RDC. See the R&D Enclosure Checklist on Page 8 for additional information.

Section 1 – Summary of Expenses

Expense Type	Column A All Virginia Expenses	Column B College and University Related Expenses
1. Contract Research Expenses <u>Column A:</u> Enter amount from Schedule RD-CON , Column G. <u>Column B:</u> Enter the amount associated with a college or university.	\$.00	\$.00
2. Supply Expenses <u>Column A:</u> Enter the amount from Schedule RD-SUP , Column C. <u>Column B:</u> Enter the amount associated with a college or university.	\$.00	\$.00
3. Wages <u>Column A:</u> Enter the amount from Schedule RD-WAGE , Column C. <u>Column B:</u> Enter the amount associated with a college or university.	\$.00	\$.00
4. Total Qualified Expenses <u>Column A:</u> Add Column A, Lines 1-3 and enter result in Column A, Line 4. <u>Column B:</u> Add Column B, Lines 1-3 and enter result in Column B, Line 4.	\$.00	\$.00

Section 2 – List of Colleges & Universities

1.	6.
2.	7.
3.	8.
4.	9.
5.	10.

Use this schedule when computing the credit using the Primary Credit Calculation.

Name as it Appears on Form RDC	<input type="checkbox"/> FEIN <input type="checkbox"/> SSN
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Section 1 – VA Qualified Research and Development Expenses	
<i>Fiscal year filers: Include expenditures and gross receipts for Calendar Year 2023 (CY), regardless of fiscal year (FY) incurred.</i>	
1a. VA Qualified Research and Development Expenses in CY 2023. For FY filers, this will include a portion of 2 taxable years.	.00
1b. Short year filers <u>only</u>: Enter the number of months included in the short year.	.00
1c. Short year filers <u>only</u>: Divide the number of months in Line 1b by 12.	.00
Section 2 – Determine the Fixed Base Percentage	
<i>The Average Qualified Research and Development Expenses for the 3 taxable years ending before the CY 2023.</i>	
2a. Expenses for the 3rd preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2020. <u>FY filers</u> : enter expenses for Taxable Year 2019.	.00
2b. Expenses for the 2nd preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2021. <u>FY filers</u> : enter expenses for Taxable Year 2020.	.00
2c. Expenses for the preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2022. <u>FY filers</u> : enter expenses for Taxable Year 2021.	.00
2d. Total Expenses. Add Lines 2a-2c.	.00
2e. Average Qualified Research and Development Expenses for the Prior 3 Taxable Years. Divide amount on Line 2d by 3.	.00
<i>The Average Total Gross Receipts for the 3 taxable years ending before the CY 2023.</i>	
2f. Gross receipts for the 3rd preceding taxable year. <u>CY filers</u> : enter the gross receipts for Taxable Year 2020. <u>FY filers</u> : enter gross receipts for Taxable Year 2019.	.00
2g. Gross receipts for the 2nd preceding taxable year. <u>CY filers</u> : enter gross receipts for Taxable Year 2021. <u>FY filers</u> : enter gross receipts for Taxable Year 2020.	.00
2h. Gross receipts for the preceding taxable year. <u>CY filers</u> : enter gross receipts for Taxable Year 2022. <u>FY filers</u> : enter gross receipts for Taxable Year 2021.	.00
2i. Total Gross Receipts. Add Lines 2f through 2h.	.00
2j. Average Gross Receipts for Prior 3 Taxable Years. Divide Line 2i by 3.	.00
2k. Percentage of Virginia Qualified Research and Development Expenses. Divide Line 2e by 2j (round to 4 decimal places).	%
Section 3 – Determine the Virginia Base Amount	
<i>The Average Total Gross Receipts for the 4 taxable years ending before the CY 2023.</i>	
3a. Gross receipts for the 4th preceding taxable year. <u>CY filers</u> : enter gross receipts for Taxable Year 2019. <u>FY filers</u> : enter gross receipts for Taxable Year 2018.	.00
3b. Gross receipts for the 3rd preceding taxable year. <u>CY filers</u> : enter gross receipts for Taxable Year 2020. <u>FY filers</u> : enter gross receipts for Taxable Year 2019.	.00
3c. Gross receipts for the 2nd preceding taxable year. <u>CY filers</u> : enter gross receipts for Taxable Year 2021. <u>FY filers</u> : enter gross receipts for Taxable Year 2020.	.00
3d. Gross receipts for the preceding taxable year. <u>CY filers</u> : enter gross receipts for Taxable Year 2022. <u>FY filers</u> : enter gross receipts for Taxable Year 2021.	.00
3e. Total Gross Receipts. Add Lines 3a through 3d.	.00
3f. Average Gross Receipts for Prior 4 Taxable Years. Divide Line 3e by 4.	.00
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.	.00
Section 4 – Virginia Base Amount	
4a. Virginia Base Amount. Your Virginia Base Amount is the greater of the amount on Line 3g OR 50% (0.5) of the 2023 Virginia Qualified Expenses from Line 1a. Enter here and on Form RDC, Section 1, Line 3, Column A.	.00

**Research and Development Expenses Tax Credit
Worksheet for Determining Adjusted
Research and Development Expenses
(Alternative Simplified Method)**

Use this schedule when computing the credit using the Alternative Simplified Credit Calculation.

Name as it Appears on Form RDC	<input type="checkbox"/> FEIN <input type="checkbox"/> SSN
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Section 1 – Virginia Qualified Research and Development Expenses

Fiscal year filers: Include expenditures for Calendar Year 2023 (CY), regardless of fiscal year (FY) incurred.

	<u>Line 1a – Column A</u>	<u>Line 1a – Column B</u>
1a. Virginia Qualified Research and Development Expenses in CY 2023. In Column A, enter total qualified research and development expenses from Schedule A, Section 1, Line 4, Column A. In Column B, enter the total qualified college and university related research expenses from Schedule A, Section 1, Line 4, Column B (if any). For FY filers, this will include a portion of 2 taxable years.	.00	.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 below. If no, stop here and enter the amount(s) on Line 1a above on Form RDC Section 2, Line 1.	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Section 3 – Average Qualified Research and Development Expenses Calculation

The Average Qualified Research and Development Expenses for the 3 taxable years ending before the CY 2023.

3a. Expenses for the 3rd preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2020. <u>FY filers</u> : enter expenses for Taxable Year 2019.	.00
3b. Expenses for the 2nd preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2021. <u>FY filers</u> : enter expenses for Taxable Year 2020.	.00
3c. Expenses for the preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2022. <u>FY filers</u> : enter expenses for Taxable Year 2021.	.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 Calculation <i>For filers with Virginia qualified research and development expenses for the preceding 3 taxable years</i>	Column A. All Qualified Research and Development Amounts	Column B. College and University Related Research and Development Amounts
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4a. Enter the current year expenses. Column A must include the amount reported in Column B, if any.	.00	.00
4b. If expenses were incurred in connection with a Virginia college or university, divide the amount on Line 4a, Column B by the amount on Line 4a, Column A.		%
4c. Column A – Enter the amount from Line 3e. Column B – If expenses were incurred in connection with a Virginia college or university, multiply the amount on Line 4c, Column A by the percentage on Line 4b, Column B.	.00	.00
4d. Multiply the amount(s) on Line 4c by 50% (0.5).	.00	.00
4e. Subtract Line 4d from Line 4a. Enter here and on Form RDC, Section 2, Line 1 in the applicable column(s).	.00	.00

2023 Instructions for Form RDC

Application for Research and Development Expenses Tax Credit

General Information

The Research and Development Expenses Tax Credit may be claimed against 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, 2025. The credit may also be claimed against the bank franchise tax for taxable years beginning on or after January 1, 2021, but before January 1, 2025.

If the taxpayer elects the primary method of computing the credit, the tax credit amount is equal to (i) 15% of the first \$300,000 in Virginia qualified research and development expenses, or (ii) 20% of the first \$300,000 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. The credit amount cannot exceed \$45,000 or \$60,000 if the Virginia qualified research was conducted in conjunction with a Virginia public or private university.

At the election of the taxpayer, an alternative simplified calculation may be used to determine the Research and Development Expenses Tax Credit. The alternative simplified calculation of the Research and Development Expenses Tax Credit 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 three 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 one of the three 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. The aggregate amount of credits allowed to each taxpayer cannot exceed \$45,000 or \$60,000 if the Virginia qualified research was conducted in conjunction with a Virginia public or private university.

There is a \$7.7 million cap on the total amount of credits allowed in any fiscal year. If the total amount of tax credits exceeds the \$7.7 million limit, credits will be apportioned on a pro rata basis.

If the total amount of approved tax credits is less than the \$7.7 million credit cap, the Department will allocate the remaining amount, on a pro rata basis, to taxpayers already approved for the credit that were subject to the \$45,000 and \$60,000 credit limitations. Supplemental credits will be in the following amounts: if a taxpayer elected the primary computation, an amount equal to 15% of the second \$300,000 in qualified research expenses (or 20% of such expenses if the research is conducted in conjunction with a Virginia public or private college or university); or if

the taxpayer elected the alternative simplified method of computing the credit, in an amount equal to the excess of the limitation. The maximum supplemental credit amount is \$45,000, or \$60,000 if the research is conducted in conjunction with a Virginia public or private university.

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 Major Research and Development Expenses 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 for the Primary Research and Development Expenses Tax Credit

In order to determine the Virginia Base Amount for the primary credit computation, follow these steps:

Determine Fixed Base Percentage:

- Step 1** Determine the average amount of Virginia qualified research and development expenses for the 3 taxable years preceding the year in which the tax credit is being claimed. If the taxpayer has been in business for less than 3 years, but at least 1, use the number of years in business instead of 3.
- Step 2** Determine the average of the total gross receipts for the 3 taxable years preceding the taxable year that the tax credit is being claimed, or the number of years used in Step 1a, if less.
- Step 3** Calculate the percentage of Virginia qualified research and development expenses by dividing the average amount determined in Step 1 by the average amount determined in Step 2. This is the "Fixed Base Percentage."

Do not make any adjustments to account for a short taxable year when computing the fixed-base percentage.

Determine the Virginia Base Amount:

- Step 4** Determine average of the total gross receipts for the 4 taxable years preceding the taxable year that the tax credit is being claimed, or the number of years used for Step 2, if less. For purposes of determining the Virginia base amount, if any of the taxable years preceding the credit year that must be accounted for when computing the credit is a short taxable year, the gross receipts for such year(s) are deemed to be equal to the gross receipts actually derived in that year, multiplied by 12, and divided by the number of months in that year.

Step 5 Multiply the fixed base percentage in Step 3 by the average gross receipts in Step 4.

Step 6 Determine the greater of the amount in Step 5 or 50% of Virginia qualified research expenses for the credit year. This is the “Virginia Base Amount.”

Refer to Form RDC, Schedule B, Research and Development Expenses Tax Credit Worksheet for Computing Virginia Base Amount (Primary Method), for detailed instructions on calculating the base amount.

Computing the Average Amount of Virginia Qualified Research and Development Expenses for Determining the Credit Using the Alternative Simplified Method

If electing to compute the Research and Development Expenses Tax Credit using the Alternative Simplified Method, the taxpayer must complete Form RDC, Schedule C to determine the average amount of Virginia qualified research and development expenses on which the credit amount will be calculated. Taxpayers who calculate the credit based on less than 3 years of qualified research and development expenses must complete Sections 1 and 2 on Form RDC, Schedule C. Taxpayers who calculate the credit based on qualified research and development expenses for the 3 taxable years preceding the credit year must complete all sections of Form RDC, Schedule C.

When determining the average amount of Virginia qualified research and development expenses for the 3 years preceding the credit year, if 1 or more of the 3 taxable years preceding the credit year is a short taxable year, then the Virginia qualified research and development expenses for that 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 gross receipts – whole, entire, total receipts, without deduction.

Virginia qualified research – 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 – 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 September 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 Enclose

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

- Outline of the type of research and development being conducted in Virginia.
- Form RDC, Schedule A to summarize the information reported on the supplemental expense schedules. You must retain a copy of any supporting documentation of these expenditures.
- The following supplemental expense schedules, as applicable:
 - Schedule RD-CON (contract research expenses)
 - Schedule RD-SUP (supply expenses)
 - Schedule RD-WAGE (qualified wages)
- Form RDC, Schedule B and details regarding the calculation of your Virginia base amount, if electing the primary credit computation.
- Form RDC, Schedule C if electing the alternative simplified computation. Enclose a copy of the research agreement if reporting expenses in connection with a Virginia public or private college or university.

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 enclosures to **Virginia 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 November 1 and you will have

until November 15 to respond. If you have not received acknowledgement of your application by November 15, call **(804) 786-2992**.

The Department will issue the credit by November 30. If you have not received your credit certification by December 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 enclosure with their return, a corporation must file Schedule 500CR; an individual must file Schedule CR; a pass-through entity must file Schedule 502ADJ; and a bank franchise must file Form 64, Schedule CR.

If the tax return upon which this credit will be claimed is due on or before November 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.

IMPORTANT NOTES

- **Online Worksheet:** Spreadsheet template is available for download on our website, **www.tax.virginia.gov**. Use these spreadsheets to compute the Virginia Base Amount when using the primary calculation method to compute the Research and Development Expenses Tax Credit.
- By providing an email address on the form, the taxpayer consents to allow emailed communications from the Virginia Department of Taxation related to this tax credit application. If the taxpayer does not wish to receive electronic communications, do not enter an email address in the spaces provided on the form.

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

Pass-Through Entities

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.

Each pass-through entity must file **Form TCA** with the Department when allocating this credit to its participants. Form TCA should be filed within 30 days after the credit is granted, but at least 90 days prior to the participants filing their income tax returns. Failure to file Form TCA may result in the credit claim being disallowed and/or a delay in processing the participant's return. This information should be sent to: **Virginia Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **(804) 774-3902**. **Do not do both.**

All pass-through entities distributing this credit to its participants, including owners, shareholders, partners, or members, must give each such participant a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits.

Where To Get Help

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

**Form RDC
Checklist**

**Research and Development Expenses Tax Credit
Enclosure Checklist**

**Taxable Year
2023**

Must be included with Form RDC

Name as it Appears on Form RDC

- FEIN
 SSN

All expenses must be for the calendar year of the application, regardless of fiscal year incurred.

- Provide:**
- 1) A description of your research project(s).
 - 2) A summary of how this research qualifies as defined in IRC § 41(d).
- 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.
- The Form RDC Schedule A. Include the applicable expense schedule(s) that have been used to complete the Schedule A.
- The Schedule RD-CON, if claiming the credit on the basis of qualified contractor research expenses.
- Note:** For purposes of computing your qualified research expenses, contract research expenses are included as follows: 1) 65% of any amount paid to a nonemployee for qualified research; 2) 75% of any amount paid to a qualified research consortium for qualified research; and 3) 100% of any amount paid to an eligible small business, an institution of higher education as defined in IRC § 3304(f), or an organization that is a federal laboratory as defined in IRC § 3304(f).
- Any individual who receives a Form 1099 is considered an independent contractor and his/her payroll expenses must be reported at 65%.
- The Schedule RD-SUP, if claiming the credit on the basis of qualified supply expenses used in the conduct of qualified research.
- The Schedule RD-WAGE, if claiming the credit on the basis of qualified wages as defined by IRC § 3401. Include employee full names, complete SSNs, and salary allocated to Virginia qualified research and development activities. To ensure that all of your qualifying employees can be verified, you must provide their complete SSN. Wages reported without complete SSNs may not qualify for the credit. If reporting more than 25 employees, you may submit an electronic copy of the wage information using the same format as Schedule RD-WAGE. For instructions on how to send the wage information electronically, contact the Department's Tax Credit Unit at **(804) 786-2992**.
- The Form RDC Schedule B Worksheet and details regarding the calculation of your Virginia base amount, if electing the primary credit computation. To obtain the worksheet in a spreadsheet format, visit **www.tax.virginia.gov**.
- The Form RDC Schedule C Worksheet, if electing the alternative simplified computation of the Research and Development Expenses Tax Credit.
- A copy of the research agreement if any of the Virginia qualified research was conducted in conjunction with a Virginia public or private college or university.
- Proof of payment, such as a copy of a cancelled check or statement of electronic transfer, for university-related research when payments are made directly to the university.
- A copy of federal Form 6765, if you have ever received a federal credit for these research activities.

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