

Research & Development Credit Overview

- This permanent credit was developed to encourage research.
- Small businesses (less than or equal to \$50 million in gross revenue) may claim the credit against the alternative minimum tax (AMT) liability. Qualified small businesses can also use the credit to offset a portion of the employer's Social Security portion of payroll tax (FICA) liability.
- Certain qualified research expenses (QREs) as part of a taxpayer's trade or business qualify for a credit equal to the sum of:
 - 20% of the excess of the QREs over the great of:
 - 50% of the QREs or
 - An amount based on a formula that takes account of the QREs and gross receipts in certain earlier tax years
 - 20% of the excess research payments paid to certain outside organizations over an amount calculated under a complex formula
 - 20% of amounts paid or incurred to an energy research consortium for energy research
- QREs eligible for the credit are in-house and contract research expenses for the purpose of discovering information that is technological in nature of carrying on a trade or business. A few examples of QREs are expenses related to:
 - Designing new, improved or more reliable products, processes, software, or formulas
 - Designing new jigs, tools, molds, or dies
 - Testing of materials
 - Developing prototypes or models
- CIG Partners LLP is available to discuss the research and development credit at any time to see how the credit may apply to you. Reach us through:
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