

R&D STATE TAX CREDITS



State Credits Help Maximize Savings

Most states offer Research and Development Tax Credits, and some can be as significant as, or greater than, the federal credit. Tax Point Advisors offers studies for all available state credits, and can help determine if you or your client qualifies. A few of the credits available are discussed below.

In **Arizona**, the state credit mirrors the federal credit, but is now partially refundable. The 2010 state credit is equal to 22% of the first \$2.5 million in qualifying expenses plus 13% of the qualifying expenses in excess of \$2.5 million. Beginning in 2011, and continuing through 2017, the state credit will be equal to 24% of the first \$2.5 million in qualifying expenses plus 15% of the qualifying expenses in excess of \$2.5 million. Two of the top qualifying industries are mining and agriculture.

Iowa has a refundable state credit that is based on the federal credit, but can be increased up to 13% of expenditures for businesses under the Enterprise Zone Program and High Quality Jobs Program. Examples of qualifying industries include machining and fabrication and food processing.

The **Louisiana** state credit is also fully refundable, and offers an increased credit rate for small companies (those with less than 50 Louisiana employees enjoy a credit of up to 40% of qualified spending). Top qualifying industries in Louisiana include petroleum and aquaculture.

In 2010, **Minnesota** doubled their state credit, and opened it up to partnerships and S-Corps, making it even more attractive to small and mid-sized businesses. It is fully refundable; businesses do not need income or tax liability to qualify. The credit is 10% up to the first \$2 million dollars in expenses, and 2.5% for eligible expenses above \$2 million. Examples of qualifying industries include manufacturing and construction engineering.

Virginia's state credit was only enacted in February of 2011, so is relatively new; it was partly established to keep the state competitive with others as a home for tech and biotech companies. In Virginia, the state R&D credit is also refundable. There is also additional incentive (in a credit percentage increase) if the research was conducted in conjunction with a Virginia public or private college or university. Here, the aerospace industry and plastics industry represent top qualifying industries.

When combined with the Federal Research and Development Tax Credit, state credits can provide significant benefit to companies. Tax Point Advisors is the R&D expert to call to identify and capture your maximum credit. We are an independent specialty tax consulting firm, comprised of a trusted team of former Big4 accountants, engineers, and business advisors. Every Research and Development Credit Study begins with a free credit estimate and feasibility assessment.



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