



Sample Calculation of Benefits – Research & Development Tax Credit

Assume Investor XYZ spent a total of \$2 million in increased research activities during the year and qualified and claimed a Federal income tax credit for these expenses under 26 USCA Sec. 41. Assume that \$1 million of the total spent was applied to research conducted in Louisiana.

Under the Research & Development Tax Credit Program, Investor XYZ may claim a credit against state income and corporate franchise taxes. There are a number ways the credit can be earned.

For taxpayers employing 500 or more Louisiana residents, the credit is equal to 8% of the amount spent on research in Louisiana. In this case, the credit can total \$80,000.

Taxpayers employing less than 500 Louisiana residents may earn a 25% credit on the amount spent on research in Louisiana. In this case, the credit can total \$250,000.

Taxpayers that claimed the alternative incremental tax credit under 26 USCA Sec. 41 may earn a credit equal to 25% of Louisiana's apportioned share of the federal research credit claimed. Assume the federal research credit totaled \$200,000. Louisiana's apportioned share of the credit is one half, or \$100,000. Therefore, the taxpayer may earn a credit of \$25,000.

Sample Calculation

Total R&D expenditures on increased activities	\$2,000,000
Portion spent on R&D conducted in Louisiana	\$1,000,000

Three credit earning scenarios:

For taxpayers employing 500 or more Louisiana residents	
Credit rate	8%
Louisiana R&D tax credit	\$80,000

For taxpayers employing less than 500 Louisiana residents	
Credit rate	25%
Louisiana R&D tax credit	\$250,000

For taxpayers the federal claiming alternative incremental tax credit	
Credit rate	25%
Federal alternative incremental tax credit	\$200,000
Louisiana apportioned share of federal credit	\$100,000
Louisiana R&D tax credit	\$25,000