

Credit for Increasing Research Activities 2012

Unitary groups: Complete a separate Schedule RD for each corporation that is claiming the credit.

Name of corporation	FEIN	Minnesota tax ID
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Round amounts to nearest whole dollar.

Qualified Expenses for Current Tax Year	1 Wages for qualified services (<i>do not include wages used in figuring the work opportunity credit</i>)	1	
	2 Cost of supplies	2	
	3 Amounts paid or incurred for the right to use computers to conduct research	3	
	4 Sixty-five or seventy-five percent of contract expenses	4	
	5 Amount paid to qualified research organizations for basic research	5	
	6 Development contributions to a nonprofit organization	6	
	7 Total qualified research expenses in Minnesota for the tax year (<i>add lines 1 through 6</i>)	7	

		A Minnesota Sales and Receipts	B Minnesota Qualified Research Expenses
Base Amount	8 Tax year 1988	8	
	9 Tax year 1987	9	
	10 Tax year 1986	10	
	11 Tax year 1985	11	
	12 Tax year 1984	12	
	13 Add lines 8 through 12	13	

Figure Your Credit	14 Fixed base percentage (<i>divide line 13B by line 13A; do not fill in more than 16% [.16]</i>). Start-up companies, see instructions	14	
	15 Tax year 2011	15	
	16 Tax year 2010	16	
	17 Tax year 2009	17	
	18 Tax year 2008	18	

Prior Year Carryover	19 Add lines 15 through 18	19	
	20 Average annual gross receipts (<i>multiply line 19 by 25% [.25]</i>)	20	
	21 Multiply line 20 by the percentage on line 14	21	
	22 Multiply line 7 by 50% (.50)	22	
	23 Base amount (<i>enter amount from line 21 or line 22, whichever is greater</i>)	23	
	24 Subtract line 23 from line 7 (<i>if zero or less, enter zero</i>)	24	
	25 Enter the amount from line 24 or \$2,000,000, whichever is less	25	
	26 Subtract line 25 from line 24	26	
	27 Multiply line 25 by 10% (.10)	27	
	28 Multiply line 26 by 2.5% (.025)	28	

Prior Year Carryover	29 2012 refundable credit (<i>add lines 27 and 28; see instructions</i>)	29	
	30 Tentative carryover amount from tax years prior to 2010 (<i>C corporations only; see instructions</i>) ..	30	
	31 Limitation (<i>C corporations only; see instructions</i>)	31	

32 **Carryover credit from tax years prior to 2010** (*enter amount from line 30 or line 31, whichever is less*). Enter this amount on M4T, line 17 (*see instructions*)

32

Attach this schedule and a copy of federal Form 6765 to your Minnesota return.

Schedule RD Instructions

If your business paid qualified research and development expenses in Minnesota, and those expenses exceed a base amount, you may be entitled to this credit.

The credit equals 10 percent of the first \$2,000,000 of qualifying expenses over the base amount, and 2.5 percent of expenses over \$2,000,000.

Beginning with tax year 2010, the credit is refundable and partnerships and S corporations are allowed to pass through the refundable credit to its individual partners and shareholders.

C corporations may continue to claim any carryover credits from years prior to 2010. Any current year credit must be used first before claiming any carryover credits.

Qualified Expenses

Round amounts to the nearest whole dollar.

Lines 1–6

Qualified research expenses are the same kinds of expenses and payments that qualify for the federal credit for increasing research activities except that they must be for research done in Minnesota. Include your qualified Minnesota research expenses paid or incurred in the taxable year on lines 1 through 5.

Qualified research expenses also include contributions to qualified nonprofit organizations that are operated to make grants to small, technologically innovative enterprises in Minnesota during their early development stages. Include these contributions on line 6.

Base Amount

Lines 8–12 and 15–18

The base amount is calculated in the same way as it is under federal law, except that expenses must be for research done in Minnesota. Also, your Minnesota sales or receipts that you used to apportion income are used instead of your gross receipts to calculate the base amount.

Enter your Minnesota sales and receipts and qualified research expenses for the indicated tax years in the appropriate columns.

Lines 13 and 14 Fixed-Base Percentage

Follow the instructions on lines 13 and 14 to determine the amount of your fixed-base percentage. (Note: Only tax years beginning in 1984 through 1988 are used to calculate the percentage.)

Start-up companies. If you had Minnesota sales or receipts and Minnesota qualified research expenses in fewer than three tax years beginning after Dec. 31, 1983, and before Jan. 1, 1989, or if the first taxable year you had both gross receipts and qualified research expenses began after Dec. 31, 1983, your fixed-base percentage for the first five tax years beginning after 1993 is 3 percent (line 14).

See IRC section 41(c)(3)(B)(ii) to figure the fixed-base percentage for any tax year after the fifth tax year beginning after 1993 for which you have qualified research expenses. Use Minnesota qualified research expenses and sales or receipts in applying the provisions of IRC section 41(c)(3)(B)(ii).

Line 29 2012 Refundable Credit

Individuals: Include the credit on Schedule M1B, line 1.

C corporations: Include the credit on Form M4, line 6.

Partnerships: For your individual, estate and trust partners, pass the amount, pro rata, on Schedule KPI, line 14. For your partnership and corporate partners, pass the amount, pro rata, on Schedule KPC, line 18. However, partners electing to file composite returns are not entitled to this credit.

Attach Schedule RD when you file your Form M3.

S corporations: Pass the amount through, pro rata, to shareholders on Schedule KS, line 14. However, shareholders electing to file composite returns are not entitled to this credit.

Attach Schedule RD when you file your Form M8.

Line 30 Carryover Amount From Tax Years Prior to 2010

The prior year carryover credit does not apply to individuals.

C corporations only: Enter any unused credit carried over from a tax year prior to 2010.

Attach a statement explaining amounts included on line 30.

Line 31 Limitation

C corporations only: Any carryover credit you claim from a tax year prior to 2010 is limited. To determine your credit limitation, complete the worksheet below:

- 1 Regular tax from Form M4T,
line 12 _____
- 2 Amount from Form M4T,
line 16 _____
- 3 Employer transit pass credit
from Form ETP, line 4 _____
- 4 Subtract step 3 from step 2. If the
result is zero or less, enter 0 . . . _____
- 5 Amount from step 1 or step 4,
whichever is less _____
- 6 Current year research credit
from Schedule RD, line 29 . . . _____
- 7 Subtract step 6 from step 5. If the
result is zero or less, enter 0 . . . _____

Enter the result from step 7 on line 31.

Carryover

Any unused portion of your tentative carryover credit on line 30 may be carried forward to each of the 15 tax years succeeding the credit year.

Information and Assistance

Website: www.revenue.state.mn.us

Email: BusinessIncome.tax@state.mn.us

Phone: 651-556-3075

TTY: Call 711 for Minnesota Relay

We'll provide information in other formats upon request to persons with disabilities.