

Ohio Research and Development Investment Tax Credit

The Ohio Research and Development Investment Tax Credit, which is authorized within Section 5733.351 of the Ohio Revised Code, is a nonrefundable credit against an Ohio C-Corporation's Corporate Franchise Tax. The tax credit currently is applied against a company's Corporate Franchise Tax but will be taken against the Commercial Activity Tax (CAT) for corporations subject to ORC Section 5733.01(G)(2) after tax year 2008.

In order to qualify, the taxpaying Corporation must invest in "Qualified Research Expenses", as defined in Section 41 of the Internal Revenue Code. "Qualified Research" is research 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 product, process, technique, formula, or invention. Both In-house expenses, such as wages and supplies, and contract expenses qualify (See Section 41 of IRC for more details).

The credit equals 7% of the amount of Qualified Research Expenses in excess of the taxpayer's average investment in Qualifying Research Expenses over the three preceding taxable years. Any excess credit not used for the taxable year in which it is earned may be carried forward for up to 7 years.

| Sample Calculation: | |
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| Total Investment in Qualifying Research Expenses for Taxable Year | \$600,000 |
| Average Investment in Qualifying Research Expenses for three preceding Taxable Years | \$200,000 |
| Net Excess of Qualifying Research Expenses for the Taxable Year | \$400,000 |
| Credit Earned (7%) | \$28,000 |

There is no special application or approval process for this tax credit. The credit may be claimed on a franchise tax return, but will be subject to audit by the Department of Taxation.