



Research and Development Incentive

BASE AMOUNT AND CREDIT AMOUNT CALCULATION EXAMPLES

- Q.** My company, Spectrum Chemical is located in New Orleans and employs 116 employees. The company will be eligible for the Research and Development Tax Credit for the increase in research and development expenses for tax year 2011. Spectrum began research and development in 2008; can the company use the previous two year's average for the base calculation?
- A.** Yes, if the company had no expenditures in year 1 the company can take the two previous year's average. The average for the Research and Development credit begins the first year Research and Development expenditures were incurred. Furthermore, if there are no qualified Research and Development expenditures in any of the subsequent years then you will use zero in the average. The company will need to provide the federal form 6765's for each tax year. Please see below example(s):

Example 1:

Company XYZ had R&D expenditures in 2008 in the amount of \$650,000 but no expenditures in 2009 or 2010. The zeros will be used for the 2 tax years in the average calculation.

R&D Calculation Form 2011 for XYZ, Inc.			
Credit for Increasing R&D Expenditures (50+ Employees)		How many years?	3
Base Calculation			
1	2008 LA Research & Development Expenditures	650,000	
2	2009 LA Research & Development Expenditures	-	
3	2010 LA Research & Development Expenditures	-	
4	3 Previous Years Average	216,667	
5	Base Calculation (70% x Line 4)	151,667	
6	2011 LA Research & Development Expenditures	400,000	
7	Increase in LA R&D Expenditures (Line 6 minus Line 5)	248,333	
8	Credit Percentage (8% or 20% with 50 to 99 LA employees)	8%	
9	Louisiana Research Credit (line 7 times line 8)	19,867	

*Please note that Federal Form 6765 must be provided for all applicable tax years.



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Example 2:

However, if XYZ did not have expenditures in 2008 and only in tax years 2009 and 2010, tax year 2008 will not be used in the average. The base calculation will be the average of tax years 2009 and 2010.

R&D Calculation Form 2011 for XYZ, Inc.			
Credit for Increasing R&D Expenditures (50+ Employees)		How many years?	2
Base Calculation			
1	2008 LA Research & Development Expenditures	-	
2	2009 LA Research & Development Expenditures	500,000	
3	2010 LA Research & Development Expenditures	600,000	
4	3 Previous Years Average	550,000	
5	Base Calculation (70% x Line 4)	385,000	
6	2011 LA Research & Development Expenditures	400,000	
7	Increase in LA R&D Expenditures (Line 6 minus Line 5)	15,000	
8	Credit Percentage (8% or 20% with 50 to 99 LA employees)	8%	
9	Louisiana Research Credit (line 7 times line 8)	1,200	

(0 Prior Years)

In the event a company does not have Louisiana R&D expenditures in prior years, there will be no base calculation:
 $TY_{2011} \times \text{appropriate \%} = \text{R\&D Tax Credit}$

(1 Prior Year)

In the event a company only has Louisiana R&D expenditures for TY2010, the base calculation will be:
 $TY_{2010} \times 70\% = \text{Base}$

*Please note that Federal Form 6765 must be provided for all applicable tax years.