



Research Tax Credit

Section 48-7-40.12

A tax credit is allowed for a business enterprise which has qualified research expenses in Georgia in a taxable year exceeding a base amount, provided that the business enterprise for the same taxable year claims and is allowed a research credit under Section 41 of the IRS Code of 1986, as amended. A copy of Federal Form 6765 must be attached.

Section 1. Taxpayer Information

Name	Tax ID No.	NAICS Code
Address	Type of Business: Sole Proprietor S Corporation Partnership/LLC C Corporation Other (Specify) _____	
City/State/Zip Code		
Contact Person		
Telephone Number		
		Tax Year Ending

Section 2. Ratio Calculation

(A) Previous 3 Years	(B) Georgia Research Expense	(C) Georgia Taxable Net Income	Equals Ratio (D) [Col.B/Col.C]
(E) Total from Column (D) =			

Section 3. Calculation of Average

Total from (E)	Divided by 3	Equals Average Research Ratio (F)
	3	=

Section 4. Calculation of Tax Base

Current Year Georgia Taxable Net Income	Multiplied by (F) or .300, whichever is less	= Base Amount (G)
\$		\$

Section 5. Calculation of Tax Credit

Current Year Research Expense	Minus Base Amount (G)	Equals (H)	Multiply (H) by .10	Equals Tax Credit (I)
\$	\$	\$	X .10	\$

Section 6. Application of Credit and Carry-Forward

(1) Current Tax Liability Without any Credits	\$
(2) Value of all other Credits Claimed	\$
(3) Subtract line (2) from line (1), this is the remaining tax liability	\$
(4) Multiply line (3) by 50%, Maximum credit allowed	\$
(5) Enter Research Tax Credit from line (I) in Sec. 5	\$
(5a) Enter amount of tax credit carried over from prior year	\$
(6) Total available Research Tax Credit, line 5 & 5a	\$
(7) Credit to be claimed on return, lesser of line (4) or line (6)	\$
(8) If line (6) exceeds line (7), Unused Credit or Carry-Forward	\$

Line 8 is the Available Carry-Forward. This amount may be carried forward for 10 years but may not exceed 50% of the business enterprise's remaining Georgia tax liability after all other credits have been applied. **Column (C) Section 2 must show positive Georgia Taxable Net Income for all three years in order to qualify.** See example on back.

Example
 Section 48-7-40.12

This example is based on the following assumptions:

1. The current year's (2001) Georgia Taxable Net Income = \$800,000
2. 2001 Research expenses in Georgia = \$325,000
3. The total of all other credits was = \$ 30,000
4. The credit carry-over from prior year is = \$ 10,000

Section 2. Ratio Calculation

(A) Previous 3 Years	(B) Georgia Research Expense	(C) Georgia Taxable Net Income	Equals Ratio (D) (Col. B - Col.C)
2000	300,000	750,000	0.4000
1999	200,000	600,000	0.3333
1998	150,000	500,000	0.3000
(E) Total from Column (D)			1.0333

Section 3. Calculation of Average

Total from (E)	Divided by 3	Equals Average Research Ratio (F)
1.0333	3	0.3444

Section 4. Calculation of Base Amount

Current Year Georgia Taxable Net Income	Multiplied by (F) or .300, whichever is less	Base Amount (G)
\$800,000	0.300	\$240,000

Section 5. Calculation of Tax Credit

Current Year Research Expense	Minus Base Amount (G)	Equals (H)	Multiply (H) by .10	Equals Tax Credit (I)
\$ 325,000	\$ 240,000	\$ 85,000	0.10	\$ 8,500

Section 6. Application of Credit and Carry-Forward

(1) Current Tax Liability without any Credits	\$ 48,000
(2) Value of All other Credits Claimed	\$ 30,000
(3) Subtract line (2) from line (1), this is the remaining tax liability	\$ 18,000
(4) Multiply line (3) by 50%, maximum credit allowed	\$ 9,000
(5) Enter Research Tax Credit from line (I) above	\$ 8,500
(5a) Enter amounts of tax credit carried over from prior year	\$ 10,000
(6) Total available Research Tax Credit, line 5 & 5a	\$ 18,500
(7) Credit to be claimed on return, lessor or line (4) or line (6)	\$ 9,000
(8) If line (6) exceeds line (7), Unused Credit or Carry-Forward	\$ 9,500

In the instance of an S Corporation or other pass-through entity, the credit on line 7 above would first be applied to any income tax at the entity level and then apportioned to shareholders or partners. For the purposes of the calculation, such a business enterprise's "Georgia taxable net income" shall be its total net income as allocated and /or apportioned to Georgia. The term "business enterprise" is defined in O.C.G.A. § 48-7-40-.12. Column (C) Section 2 must show positive Georgia Taxable Net Income for all three years in order to qualify. (See Reg. 560-7-8-.42)