

FORM CT-1120RC

2001

Research and Experimental Expenditures Credit

FOR INCOME YEAR	
Beginning	2001, and Ending

Corporation Name	CT TAX REGISTRATION NUMBER					
						0 0 0

PURPOSE OF FORM

Complete **Form CT-1120RC, Research and Experimental Expenditures Credit**, to claim the credit equal to **20%** of the incremental increase in research and experimental expenditures that are conducted in Connecticut, pursuant to Conn. Gen. Stat. §12-217j.

ATTACHMENTS REQUIRED

This form must be accompanied by a detailed schedule that identifies the location in Connecticut where the research and experimentation was conducted and the amounts spent directly on research and experimentation in the current income year and in the preceding income year.

For additional information, see **Informational Publication 2001(17), Guide to Connecticut Business Tax Credits**, or contact the Department of Revenue Services, Taxpayer Services Division at: 1-800-382-9463 (toll-free within Connecticut) or 860-297-5962 (from anywhere).

DEFINITIONS

Connecticut research and experimental expenditures are those that may be deducted under §174 of the Internal Revenue Code of 1986 and related regulations. Only amounts spent directly on such research and experimental expenditures will be allowed. Overhead and other expenses, including general and administrative expenses, which relate to a corporation's activities as a whole and not specifically to the research and experimental effort will not qualify.

Qualifying expenditures include, but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business that represent research and development costs in the experimental or laboratory sense
- All costs incurred in the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned
- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application

CREDIT COMPUTATION

The credit is equal to **20%** of the amount spent by the corporation directly on Connecticut research and experimental expenditures that exceeds the amount spent by that corporation on those expenditures during the preceding income year.

— This form must be attached to **Form CT-1120K** —

PART I - CREDIT COMPUTATION			
1.	Amount of Connecticut research and experimental expenditures for the 2001 income year. (Attach detailed schedule)	1	
2.	Amount of Connecticut research and experimental expenditures for the 2000 income year. (Attach detailed schedule)	2	
3.	Balance (Subtract Line 2 from Line 1) (If zero or less, the corporation is not eligible for this credit.)	3	
4.	TAX CREDIT: Multiply Line 3 by 20% (.20). Enter here and on Form CT-1120K , Part I-D, Line 18, Column A.	4	

NOTE: For credit carryforward instructions and schedule, see Part II on reverse side of this form.

EXCHANGE OF TAX CREDIT

Any taxpayer whose gross income does not exceed \$70 million and who cannot take the credit as a result of having no tax liability under the corporation business tax may elect to carry 100% of the credit forward or may exchange the credit with the State for a credit refund equal to 65% of its value. See Conn. Gen. Stat. §12-217ee. Only tax credits earned in 2001 and entitled to be claimed in 2001 may be exchanged.

Application Procedure: Complete **Form CT-1120 XCH**, *Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business*, and submit it with the final return (**Form CT-1120** or **Form CT-1120CR**). **Form CT-1120 XCH** is available on the DRS Web site at: www.drs.state.ct.us

CARRYFORWARD SCHEDULE

For income years beginning on or after January 1, 1997, the 15-year carryforward is applicable to biotechnology (biotech) companies only. However, for income years beginning on or after January 1, 2000, the 15-year carryforward is applicable to all companies.

PART II - COMPUTATION OF CARRYFORWARD							
		A Total Credit Earned	B Credit Applied 1997 through 2000	C Carryforward to 2001 (Subtract Column B from Column A)	D Credit Applied in 2001	E Credit Exchanged	F Carryforward to 2002 (See line instructions below)
1.	1997 Form CT-1120RC, Line 4. (Biotech only)						
2.	1998 Form CT-1120RC, Line 4. (Biotech only)						
3.	1999 Form CT-1120RC, Line 4. (Biotech only)						
4.	2000 Form CT-1120RC, Line 4.						
5.	2001 Form CT-1120RC, Line 4.						
6.	Total Research and Experimental Expenditures Credit Carryforward to 2002. (Add Lines 1 through 5, Column F.) Enter the total here and on Form CT-1120K , Part I-D, Line 18, Column E.						

PART II - COMPUTATION OF CARRYFORWARD INSTRUCTIONS:

Lines 1 through 5, Columns A through D - Enter the amount for each corresponding year.

Line 4, Column E - Enter the actual amount of credit exchanged in 2000 (from 2000 **Form CT-1120 XCH**, Part II, Line 2).

Line 5, Column E - Enter the amount of credit to be exchanged for credit refund (from 2001 **Form CT-1120 XCH**, Part II, Line 2).

Lines 1 through 4, Column F - Subtract Lines 1 through 4, Column D from Lines 1 through 4, Column C. Enter the result on the appropriate lines.

Lines 4 and 5, Column F - Subtract Lines 4 and 5, Column D and Column E, from Lines 4 and 5, Column A. Enter the result on the appropriate lines.

Line 6 - Complete as indicated.