



**Exchange of Tax Credit**

A 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 be eligible to exchange the credit with the state for a credit refund equal to 65% of its value. See Conn. Gen. Stat. §12-217ee, as amended. See **Form CT-1120 XCH, Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business**, for eligibility. Only tax credits earned in 2002 and entitled to be claimed in 2002 may be exchanged.

**Application Procedure**

Complete **Form CT-1120 XCH** and submit it with the original return (**Form CT-1120, Corporation Business Tax Return** or **Form CT-1120CR, Combined Corporation Business Tax Return**). **Form CT-1120 XCH** is available on the DRS Web site at: [www.drs.state.ct.us](http://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.

<b>PART II - Computation of Carryforward</b>							
		<b>A</b> Total Credit Earned	<b>B</b> Credit Applied 1997 through 2001	<b>C</b> Carryforward to 2002 (Subtract Column B from Column A)	<b>D</b> Credit Applied in 2002	<b>E</b> Credit Exchanged	<b>F</b> Carryforward to 2003 (See line instructions below)
1.	<b>1997 Form CT-1120RC,</b> Line 4. (Biotech only)						
2.	<b>1998 Form CT-1120RC,</b> Line 4. (Biotech only)						
3.	<b>1999 Form CT-1120RC,</b> Line 4. (Biotech only)						
4.	<b>2000 Form CT-1120RC,</b> Line 4.						
5.	<b>2001 Form CT-1120RC,</b> Line 4.						
6.	<b>2002 Form CT-1120RC,</b> Line 4.						
7.	<b>Total Research and Experimental Expenditures Credit Carryforward to 2003.</b> (Add Lines 1 through 6, Column F.) Enter the total here and on <b>Form CT-1120K</b> , Part I-D, Line 18, Column E.						

**Computation of Carryforward Instructions:**

**Lines 1 through 6, Columns A through D** - Enter the amount for each corresponding year.  
**Lines 4 and 5, Column E** - Enter the actual amount of credit exchanged for each corresponding year.  
**Line 6, Column E** - Enter the amount of credit to be exchanged for credit refund (from 2002 **Form CT-1120 XCH**, Part II, Line 1).  
**Lines 1 through 3, Column F** - Subtract Lines 1 through 3, Column D from Lines 1 through 3, 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 C. Enter the result on the appropriate lines.  
**Line 6, Column F** - Subtract Line 6, Column D and Column E, from Line 6, Column A. Enter the result here.  
**Line 7** - Complete as indicated.