(Rev. 12/02)

Form CT-1120RC

2002

Research and Experimental Expenditures Credit

FOR INCOME YEAR		
Beginning	2002, and Ending	
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Corporation Name

Corporation Name

Purpose

Complete **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, to claim the credit available under Conn. Gen. Stat. §12-217j equal to 20% (.20) of the incremental increase in research and experimental expenditures that are conducted in Connecticut. Attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Required Attachment

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 previous income year.

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; and
- 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%** (.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 previous income year.

Additional Information

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 (in-state) or 860-297-5962 (from anywhere).

PART I - Credit Computation								
1.	Amount of Connecticut research and experimental expenditures for the 2002 income year. (Attach detailed schedule)	1.						
2.	Amount of Connecticut research and experimental expenditures for the 2001 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 B.	4.						

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

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 2001	C Carryforward to 2002 (Subtract Column B from Column A)	D Credit Applied in 2002	E Credit Exchanged	F Carryforward to 2003 (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.	2002 Form CT-1120RC , Line 4.										
7.	Total Research and Expe				(Add Lines 1 thro	ough 6, Column F.)					

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.