



## Research and Development Investment Tax Credit

**Overview** The Ohio Research and Development Investment Tax Credit is a nonrefundable credit against the Commercial Activity Tax (CAT).

**Benefits** Nonrefundable tax credit that applies against a corporation’s tax liability. Excess credit not used in the taxable year in which it is earned by be carried forward for up to 7 years.

**Eligibility** The taxpaying Corporation must invest in “Qualified Research Expenses”, as defined in Section 41 of the Internal Revenue Code. “Qualified Research” is research undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the development of a new or improved product, process, technique, formula, or invention. Both In-house expenses, such as wages and supplies, and contract expenses qualify (See Section 41 of IRC for more details).

**Rate/Terms** The credit equals 7% of the amount of Qualified Research Expenses in excess of the taxpayer’s average investment in Qualifying Research Expenses over the three preceding taxable years. Any excess credit not used for the taxable year in which it is earned may be carried forward for up to 7 years.

<b>Sample Calculation:</b>	
Total Investment in Qualifying Research Expenses for Taxable Year	\$600,000
Average Investment in Qualifying Research Expenses for three preceding Taxable Years	\$200,000
Net Excess of Qualifying Research Expenses for the Taxable Year	\$400,000
Credit Earned (7%)	\$28,000

**Contact** Youngstown/Warren Regional Chamber at 330.392.6140 or Office of Tax Incentives at 614.466.2317 or 800.848.1300

*This summary is prepared as a reference, and should not be construed as the actual law. For more information, contact the Youngstown/Warren Regional Chamber.*