



Credit for Increasing Research Activities RD 2014

Unitary businesses: Complete a separate Schedule RD for each corporation that is claiming the credit.

Name of Corporation FEIN Minnesota Tax ID

Round amounts to nearest whole dollar.

Table with 2 columns: Description and Amount. Rows 1-7: Qualified Expenses for Current Tax Year. Includes wages, cost of supplies, computer use, contract expenses, basic research, and development contributions.

Table with 3 columns: Description, A (Minnesota Sales and Receipts), and B (Minnesota Qualified Research Expenses). Rows 8-13: Tax years 1988-2010. Rows 14-18: Base amount calculations for 2010-2013.

Table with 2 columns: Description and Amount. Rows 19-29: Figure Your Credit. Includes calculations for average annual gross receipts, base amount, and final 2014 credit.

Table with 2 columns: Description and Amount. Rows 30-33: C Corp Calculation. Includes carryover credit, tentative credit, limitation, and final credit for increasing research activities.

Attach this schedule and a copy of federal Form 6765 to your Minnesota return.



## Schedule RD Instructions

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*If your business paid qualified research and development expenses in Minnesota, and those expenses exceed a base amount, you may be entitled to this credit.*

The credit equals 10 percent of the first \$2,000,000 of qualifying expenses over the base amount, and 2.5 percent of expenses over \$2,000,000.

Beginning with tax year 2010, partnerships and S corporations are allowed to pass through the credit to its individual partners and shareholders.

### Qualified Expenses

*Round amounts to the nearest whole dollar.*

#### Lines 1–6

Qualified research expenses are the same kinds of expenses and payments that qualify for the federal credit for increasing research activities except that they must be for research done in Minnesota. Include your qualified Minnesota research expenses paid or incurred in the taxable year on lines 1 through 5.

Qualified research expenses also include contributions to qualified nonprofit organizations that are operated to make grants to small, technologically innovative enterprises in Minnesota during their early development stages. Include these contributions on line 6.

### Base Amount

#### Lines 8–12 and 15–18

The base amount is calculated in the same way as it is under federal law, except that expenses must be for research done in Minnesota. Also, your Minnesota sales or receipts that you used to apportion income are used instead of your gross receipts to calculate the base amount.

Enter your Minnesota sales and receipts and qualified research expenses for the indicated tax years in the appropriate columns.

#### Lines 13 and 14

##### Fixed-Base Percentage

Follow the instructions on lines 13 and 14 to determine the amount of your fixed-base percentage. (Note: Only tax years beginning in 1984 through 1988 are used to calculate the percentage.)

**Start-up companies.** If you had Minnesota sales or receipts and Minnesota qualified research expenses in fewer than three tax years beginning after Dec. 31, 1983, and before Jan. 1, 1989, or if the first taxable year you had both gross receipts and qualified research expenses began after Dec. 31, 1983, your fixed-base percentage for the first five tax years beginning after 1993 is 3 percent (line 14).

See IRC section 41(c)(3)(B)(ii) to figure the fixed-base percentage for any tax year after the fifth tax year beginning after 1993 for which you have qualified research expenses. Use Minnesota qualified research expenses and sales or receipts in applying the provisions of IRC section 41(c)(3)(B)(ii).

#### Line 29

##### 2014 Credit

**Individuals:** Include the credit on Schedule M1B, line 1.

**C corporations:** Complete lines 30 through 33.

**Partnerships:** For your individual, estate and trust partners, pass the amount, pro rata, on Schedule KPI, line 14. For your partnership and corporate partners, pass the amount, pro rata, on Schedule KPC, line 18. However, partners electing to file composite returns are not entitled to this credit.

Attach Schedule RD when you file your Form M3.

**S corporations:** Pass the amount through, pro rata, to shareholders on Schedule KS, line 14. However, shareholders electing to file composite returns are not entitled to this credit.

Attach Schedule RD when you file your Form M8.

#### Line 30

##### Carryover Credit and Any Credit from a Partnership

Enter any unused credit carried over from a prior tax year beginning before January 1, 2010 or after December 31, 2012.

Also include any credit amounts you may have received as a partner of a partnership (from line 17 of Schedule KPC). Credits from a partnership are limited to the amount of tax attributable to your share of the partnership's taxable income.

Attach a statement explaining amounts included on line 30.

#### Line 32 Limitation

Your credit is limited to the regular franchise tax or the liability for tax, whichever is less. Enter the lesser of Form M4T, line 12, or the difference of Form M4T, line 16 minus line 21. If the result is less than zero, enter zero.

**Unitary businesses:** If the tentative credit on line 31 exceeds the limitation on line 32, the excess may be entered on Form M4T line 17 in the columns of other members of the unitary business that didn't generate the credit. Credits claimed by other members are limited to the regular franchise tax or the liability for tax, whichever is less. Attach a schedule showing the calculation of credits claimed by other members. Any credit remaining after being applied to other members must be carried forward by the member that generated the credit.

### Carryover

Any unused portion of your tentative credit on line 31 may be carried forward to each of the 15 tax years succeeding the credit year.

### Information and Assistance

Website: [www.revenue.state.mn.us](http://www.revenue.state.mn.us)

Email: [BusinessIncome.tax@state.mn.us](mailto:BusinessIncome.tax@state.mn.us)

Phone: 651-556-3075

We'll provide information in other formats upon request to persons with disabilities.