

(Rev. 12/06)

## Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business

|                 |      |        |
|-----------------|------|--------|
| For Income Year |      |        |
| Beginning       | 2006 | Ending |

|              |                                     |
|--------------|-------------------------------------|
| Company Name | Connecticut Tax Registration Number |
|--------------|-------------------------------------|

Complete this form in order to exchange with the State of Connecticut any tax credit under Conn. Gen. Stat. §§12-217j or 12-217n for a credit refund equal to 65% of the value of the credit. A taxpayer may receive not more than \$1.5 million in any one income year. See Conn. Gen. Stat. §12-217ee.

This form must be attached to **Form CT-1120**, *Corporation Business Tax Return*, **Form CT-1120U**, *Unitary Corporation Business Tax Return*, or **Form CT-1120CR**, *Combined Corporation Business Tax Return*, on or before the due date or, if applicable, the extended due date of the year's return. No application for refund of the tax credit may be made after the due date or extended due date of the return.

### Eligibility

In order to be eligible for a credit refund, a taxpayer must have no corporation business tax liability. For purposes of this tax credit refund, payment of a capital base tax under Conn. Gen. Stat. §12-219 in a year that the taxpayer reports no net income as defined in Conn. Gen. Stat. §12-213, or payment of the \$250 minimum tax under Conn. Gen. Stat. §§12-219 or 12-223C, shall not be considered a liability.

Check the appropriate box on Form CT-1120, Form CT-1120U, or Form CT-1120CR and attach this form and **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, or **Form CT-1120 RDC**, *Research and Development Credit*, to the original return for the above income year. This form must be completed in its entirety.

### Definitions

**Qualified Small Business** means a company that has gross income for the previous income year that does not exceed \$70 million and has not met this test through transactions with a related person. Conn. Gen. Stat. §12-217ee(d).

**Gross Income** means gross income as defined by the Internal Revenue Code including any interest or exempt interest dividends, but not including dividends received by a domestic United States corporation from a foreign corporation on account of foreign taxes deemed paid when the domestic corporation elects the foreign tax credit or dividends received directly or indirectly from a passive investment company. Conn. Gen. Stat. §12-213(a)(9)(A)-(C).

**Related Person** means a corporation, partnership, association, or trust controlled by such corporation; an individual, corporation, partnership, association, or trust that is in control of such corporation; a corporation, partnership, association, or trust controlled by an individual, corporation, partnership, association, or trust that is in control of such corporation; or a member of the same controlled group as such corporation. Conn. Gen. Stat. §12-217w.

### Additional Information

Contact the Department of Revenue Services, Taxpayer Services Division at **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) or **860-297-5962** (from anywhere).

Complete this form in blue or black ink only.

| PART I - Eligibility Criteria |  |                              |                             |
|-------------------------------|--|------------------------------|-----------------------------|
| 1.                            | Does the company report no net income but pay the tax on capital on Form CT-1120, <i>Schedule C</i> , Line 1a? If <b>Yes</b> , the company may be eligible to obtain a tax credit refund.  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2.                            | Did the company engage in transactions with related persons during the 2006 income year? If <b>Yes</b> , identify the related persons, their gross incomes, their relationship to the company, and provide an organizational chart of related persons in which the company is a member. Also attach a separate schedule describing each of the company's transactions with these related persons during the 2006 income year, the gross income of the company derived from each of these transactions, and the dates of these transactions.                                      | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3.                            | Enter the total gross income of the company for the previous income year from all sources, including the total gross income of the company derived from transactions with related persons, as noted above.<br><br><b>Note:</b> The gross income of the company should be annualized if this application is for a short period. If the total gross income of the company for the previous income year exceeds \$70 million, the company is <b>not eligible</b> for an exchange of tax credits. Do not check the applicable box on Form CT-1120, Form CT-1120U, or Form CT-1120CR. | \$                           | .00                         |
| 4.                            | Does the company or its combined group, on the date of this application, have any taxes due and unpaid to the State of Connecticut including interest, penalties, fees, and other related charges? If <b>Yes</b> , attach a schedule that describes the nature and amounts of any unpaid taxes.  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**PART II - Computation of Exchange Amount**

|     |   |     |    |  |
|-----|---|-----|----|--|
| 1a. | Enter the amount of 2006 Research and Experimental Expenditures Credit (from 2006 <b>Form CT-1120RC</b> , Part I, Line 4).                                | 1a. |    |  |
| 1b. | Enter the amount of 2006 Research and Experimental Expenditures Credit applied (from 2006 Form CT-1120RC, Part II, Line 10, Column D).                    | 1b. |    |  |
| 1.  | Enter the amount of 2006 Research and Experimental Expenditures Credit available for exchange. (Subtract Line 1b from Line 1a.)                           |     | 1. |  |
| 2a. | Enter the amount of 2006 Research and Development Credit (from 2006 <b>Form CT-1120 RDC</b> , Part II, greater of Line 2 or Line 7).                      | 2a. |    |  |
| 2b. | Enter the amount of 2006 Research and Development Credit applied (from 2006 Form CT-1120 RDC, Part III, Line 12, Column D).                               | 2b. |    |  |
| 2.  | Enter the amount of 2006 Research and Development Credit available for exchange. (Subtract Line 2b from Line 2a.)   |     | 2. |  |
| 3.  | Add Line 1 and Line 2.  |     | 3. |  |
| 4.  | <b>Total Credit Refund Requested:</b> Multiply amount on Line 3 by 65% (.65). Maximum credit refund is \$1.5 million. <b>Do not exceed \$1.5 million.</b> |     | 4. |  |

**PART III - Required Attachments**

In addition to Form CT-1120RC or Form CT-1120 RDC (both if applicable), attach detailed schedules supporting the claimed research expenditures. The detailed schedules must include:

- A full and complete description of the nature of the research projects conducted by the company during the income year and the location(s) where the research is conducted;
- A full and complete description of the methods used to obtain: (a) the amount spent directly on research and experimental expenditures conducted in Connecticut, in accordance with Conn. Gen. Stat. §12-217j; and (b) the total expenditures and payments for research and experimentation, and basic research conducted in Connecticut, in accordance with Conn. Gen. Stat. §12-217n;
- A detailed description of each source of information used to compute the credit, including the methods and calculations of expense allocation, if any; **and**
- The job title and detailed job description of each employee whose wages are included in the research expenditures.

**Contact Person**

|                             |  |                  |          |
|-----------------------------|--|------------------|----------|
| Name                        |  | Telephone Number |          |
|                             |  | ( )              |          |
| Title                       |  |                  |          |
| Address (number and street) |  | PO Box           |          |
| City or Town                |  | State            | ZIP Code |