



## RESEARCH AND DEVELOPMENT SMALL BUSINESS TAX CREDIT CLAIM FORM

### INSTRUCTIONS

**ABOUT THIS CREDIT:** The Research and Development Small Business Tax Credit is available for a qualified research and development small business for report periods beginning on or after July 1, 2011 and before June 30, 2015, but for no more than 35 consecutive calendar months after the first month for which a claim for the credit is made by a taxpayer or by a person to whom the taxpayer is a successor, pursuant to Section 7-1-61 NMSA 1978. The time period between July 1, 2009 through June 30, 2011 is not included in the determination of consecutive calendar months, but claims made for report periods after July 2005 or prior to July 1, 2009 are included.

The amount of the credit is equal to the sum of all gross receipts taxes and 50% of withholding taxes paid on behalf of employees and owners with no more than five percent ownership, that are due to the state or payable by the qualifying small business for the calendar month in which the small business qualifies.

**CLAIMING THE RESEARCH AND DEVELOPMENT SMALL BUSINESS TAX CREDIT:** The taxpayer may claim the credit within one year after the end of the report period. To claim the credit, attach Form RPD-41298, *Research and Development Small Business Tax Credit Claim Form*, to the CRS-1 return. Claiming the credit against a report period renders the taxpayer ineligible to claim the investment credit or technology jobs tax credit against the same report period.

A report period is a calendar month, quarter or semiannual period, according to the filing frequency listed on your Registration Certificate. If the taxpayer determines that it does not qualify for a calendar month during the report period, the taxpayer may not claim the credit for that calendar month, but may qualify during other months within the reporting period.

#### DEFINITIONS:

"Qualified research and development small business" means a business including a corporation, general partnership, limited partnership, limited liability company, sole proprietorship or other similar entity, that:

- (1) employed no more than 25 employees on a full-time-equivalent basis in any prior calendar month;
- (2) had total revenues of no more than \$5 million in any prior fiscal year;
- (3) did not in any prior calendar month have more than 50% of its voting securities or other equity interest with the right to designate or elect the board of directors or other governing body of the qualified business owned directly or indirectly by another business; and
- (4) has made qualified research expenditures for the period of 12 calendar months ending with the month for which the credit is sought of at least 20% of its total expenditures for those 12 calendar months.

"Qualified research" means research that is 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 business component of the taxpayer, and in which substantially all activities constitute elements of a process of experimentation related to new or improved function, performance, reliability or quality, but not related to style, taste, cosmetic or seasonal design factors.

"Qualified research expenditure" means an expenditure directly related to qualified research, but does not include any expenditure on research funded by any grant, contract or similar mechanism by another person or governmental entity, and does not include any expenditure on property that is owned by a municipality or county in connection with an industrial revenue bond project or expenditures for which the taxpayer has received any credit pursuant to the Capital Equipment Tax Credit Act, the Investment Credit Act or the Technology Jobs Tax Credit Act.

A taxpayer is not eligible for the credit with respect to a calendar month:

- before June 30, 2011, or after June 30, 2015,
- that is more than 35 consecutive calendar months after the first month for which a claim for the credit is made by the taxpayer or by the successor in business as defined in Section 7-1-61 NMSA 1978, The time period between July 1, 2009 through June 30, 2011 is not included in the determination of consecutive calendar months, but claims made for report periods after July 2005 or prior to July 1, 2009 are included.
- after which the qualified research and development small business employs more than 25 employees on a full-time-equivalent basis,
- in a fiscal year of the qualified research and development small business after the first fiscal year in which that business has total revenues in excess of \$5 million,
- after the calendar month in which more than 50% of the qualified research and development small business voting securities or other equity interests having the right to designate or elect the board of directors or other governing body of that business are owned directly or indirectly by another business,
- if the business was not a qualified research and development small business in the 12-month calendar period ending with that calendar month,
- during which the taxpayer is the beneficiary of an industrial revenue bond issued by a municipality or county, or
- during which the taxpayer sold any goods of which the taxpayer is not a manufacturer, unless the taxpayer has received an appropriate NTTC for such sale or sales.

**FORM INSTRUCTIONS:** Complete all information requested in the address block. Complete Sections I and II. To qualify, you must be able to answer yes to all questions in Section II. In Section III, indicate the report period of the CRS-1 return and the amount of credit to be applied to this CRS-1 return. First-time claimants must attach a description of the qualified research and development performed by the business. Sign and date the application.