

The Virginia R&D Tax Credit

LIKE THE FEDERAL R&D TAX CREDIT, VIRGINIA'S R&D CREDIT CAN REDUCE PAST, CURRENT AND FUTURE YEARS' FEDERAL TAX LIABILITY TO CREATE A READY SOURCE OF CASH.

The Commonwealth of Virginia allows a refundable income tax credit for both individuals and businesses that engage in research and development activities. The Virginia credit follows federal guidelines and definitions as determined in section 41 of the Internal Revenue Code making it simple for taxpayers to calculate with their federal return. Depending upon the amount of qualified research expenses (QREs), taxpayers will qualify for either the (research and development credit) RDC or the (Major research and development) MRD tax credit.

The credit applies to taxable years beginning after January 1, 2011 and extending for tax years through 2021. Like many other states, Virginia caps the amount of credits allowed in any fiscal year to \$7 million.

- **If the total credits claimed exceed \$7 million, Virginia will payout claims pro-rata.**
- **If the total credits claimed are less than \$7 million, the remaining amount will be paid out based on the excess QREs claimed at 15% pro-rata and 20% for activities conducted with a public or private college or university.**

What Are 'Qualified Research Expenses'?

To qualify, the expense must have a "research" component, or some level of uncertainty associated with achieving the project's objectives. It should be experimental and intended to achieve higher efficiency or productivity. Examples of what the IRS has listed as "qualified research expenses" for R&D activities include:

- **Developing or testing new processes, formulas or products**
- **Certification testing to meet product or industry specifications**
- **Environmental testing to achieve industry or regulatory requirements**
- **Developing new technology**
- **Developing new software (including for internal use)**
- **Prototyping new or improved software functionalities**
- **Improving or refining internal processes and procedures**



To learn how Aprio can help you claim valuable R&D tax credits, contact:



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About Aprio

Since 1952, clients throughout the U.S. and across more than 40 countries have trusted Aprio for guidance on how to achieve what's next. As a premier, CPA-led professional services firm, Aprio delivers advisory, assurance, tax, cloud accounting and private client services to build value, drive growth, manage risk and protect wealth. With proven expertise and genuine care, Aprio serves individuals and businesses, from promising startups to market leaders alike.

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