



# Research & Development Tax Credit

## QUALIFIED RESEARCH—THE FOUR-PART TEST

### Permitted Purpose

The activity related to a new or improved function, performance, reliability, or quality of a “business component” (i.e. product, process, computer software, technique, formula, or invention), which is held for sale, lease, or license or is used by the taxpayer in a trade or business of the taxpayer.

### Technical in Nature

The activity performed must fundamentally rely upon principles of:

- » Natural Science (biology, chemistry, physics, etc.)
- » Computer Science
- » Engineering

### Elimination of Uncertainty

The activity must be intended to discover information to eliminate uncertainty related to the

- » Capability,
- » Method, or
- » Design

around developing or improving a business component.

### Process of Experimentation

Substantially all of the activities must be elements of a process of experimentation, and may include identifying:

- » Uncertainty concerning the development or improvement of a business component
- » One or more alternatives intended to eliminate that uncertainty
- » Conducting a process of evaluating the alternatives (through, for example, modeling, simulation, or a systemic trial and error methodology)

## THE FOLLOWING EXPENSES MAY BE ELIGIBLE FOR THE RESEARCH TAX CREDIT:

- » Wages
- » Supplies
- » Contract research
- » Rental or lease costs of computers
- » Research consortia (university/professional)
- » Web hosting services

## QUALIFIED RESEARCH—INTERNAL USE SOFTWARE

Innovative	Significant Economic Risk	Not Commercially Available
Software is innovative if the software would result in a reduction of cost or improvement in speed or other measurable improvement, that is substantial and significant, if the development is or would have been successful.	The software involves significant economic risk if the taxpayer commits substantial resources to the development and if there is substantial uncertainty, because of technical risk, that such resources would be recovered within a reasonable period.	The software is not commercially available for use by the taxpayer in that the software cannot be purchased, leased, or licensed and used for the intended purpose without modifications.

If you'd like more information or if you have any questions, please contact a member of the R&D team:  
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