

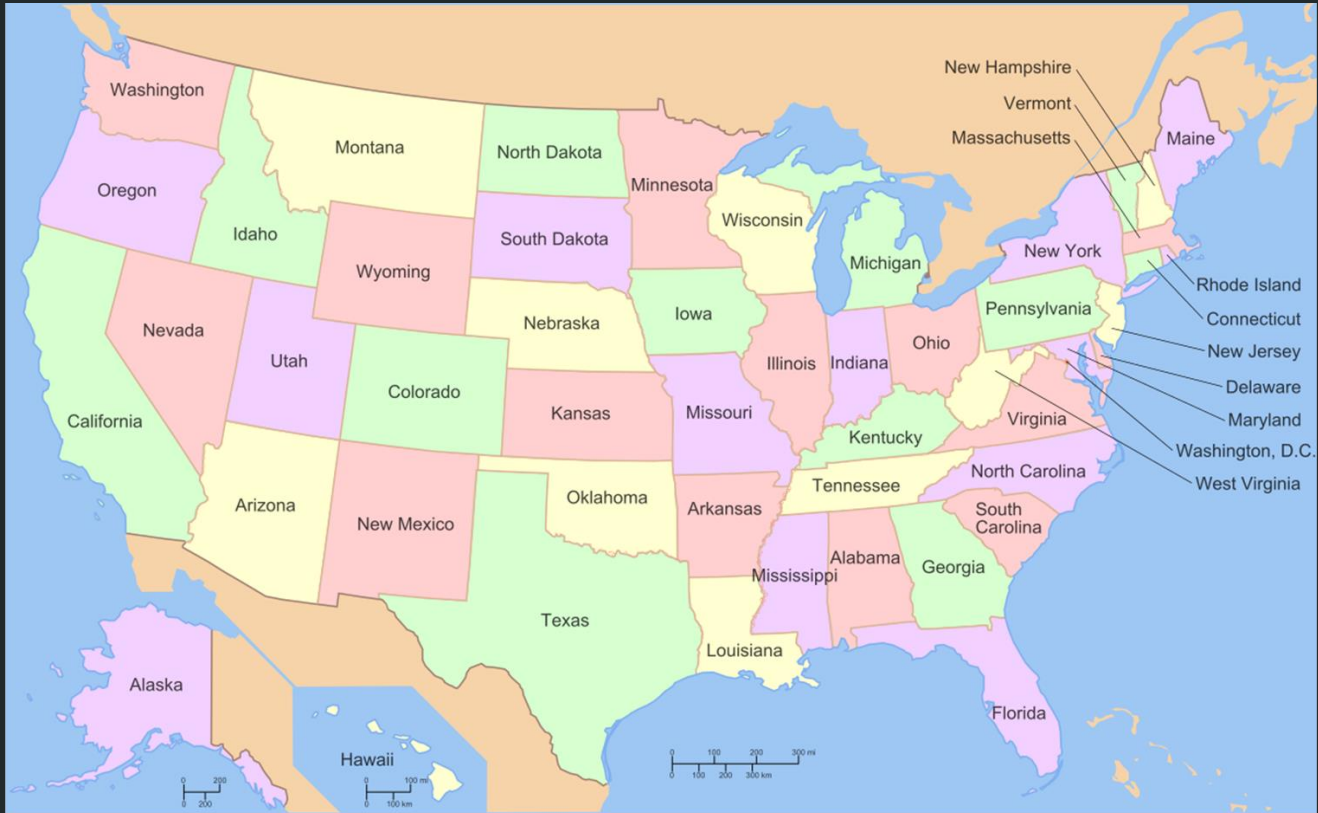
# Research & Development Tax Credit Workgroup

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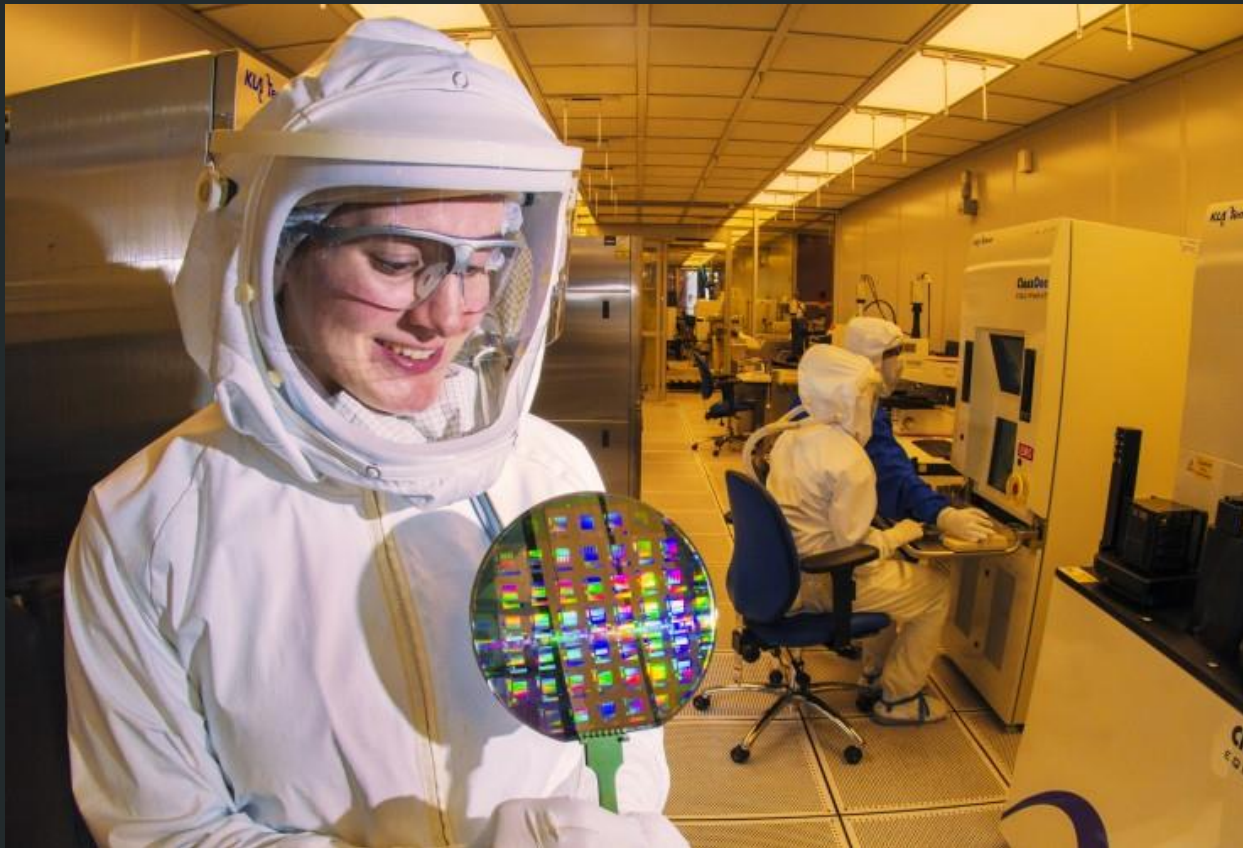
Joint Committee on Semiconductors  
Wednesday, April 5, 2023



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Representative Nancy Nathanson



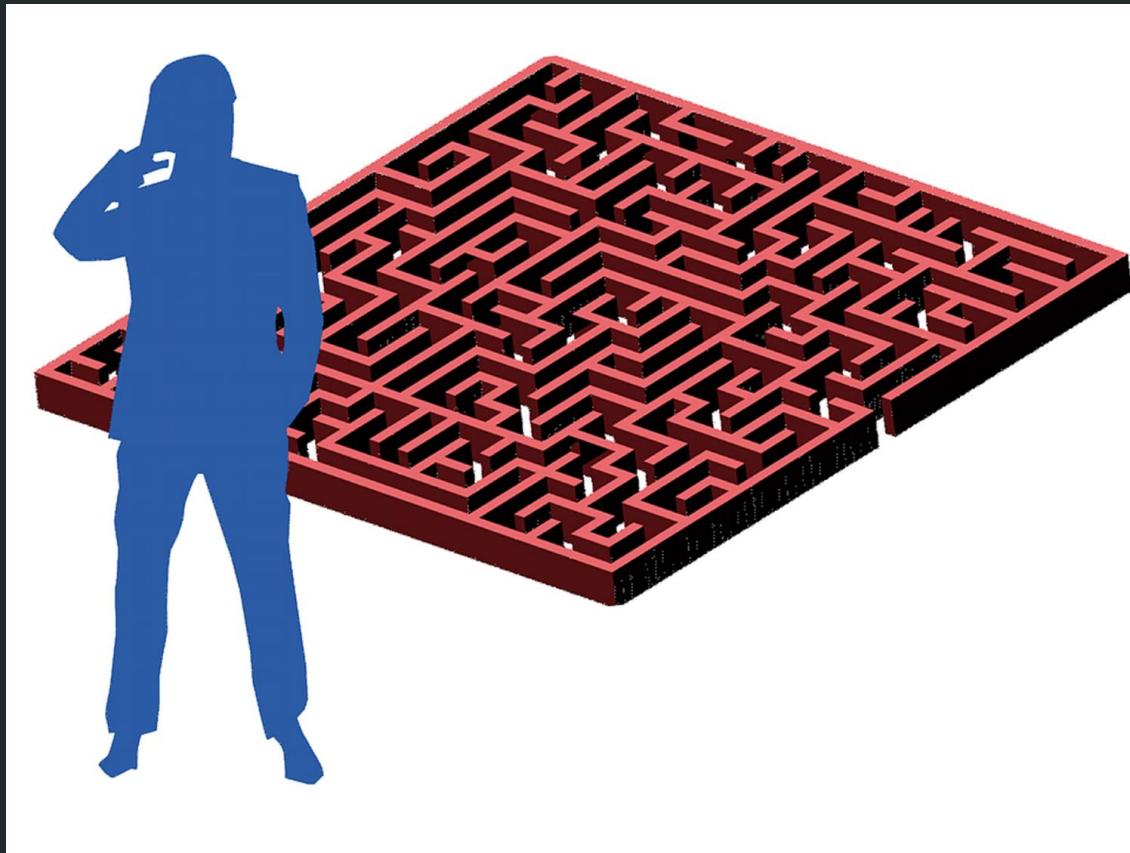
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$$S(\omega) = \frac{\alpha g^2}{\omega^5} e^{[-0.74 \left\{ \frac{\omega U_\omega 19.5}{g} \right\}^{-4} ]}$$
$$= \frac{\alpha g^2}{\omega^5} \exp \left[ -0.74 \left\{ \frac{\omega U_\omega 19.5}{g} \right\}^{-4} \right]$$

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Representative Nancy Nathanson

who

tax base

credit  
(formula)

refundability  
&  
carryforward

cap



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# Eligibility



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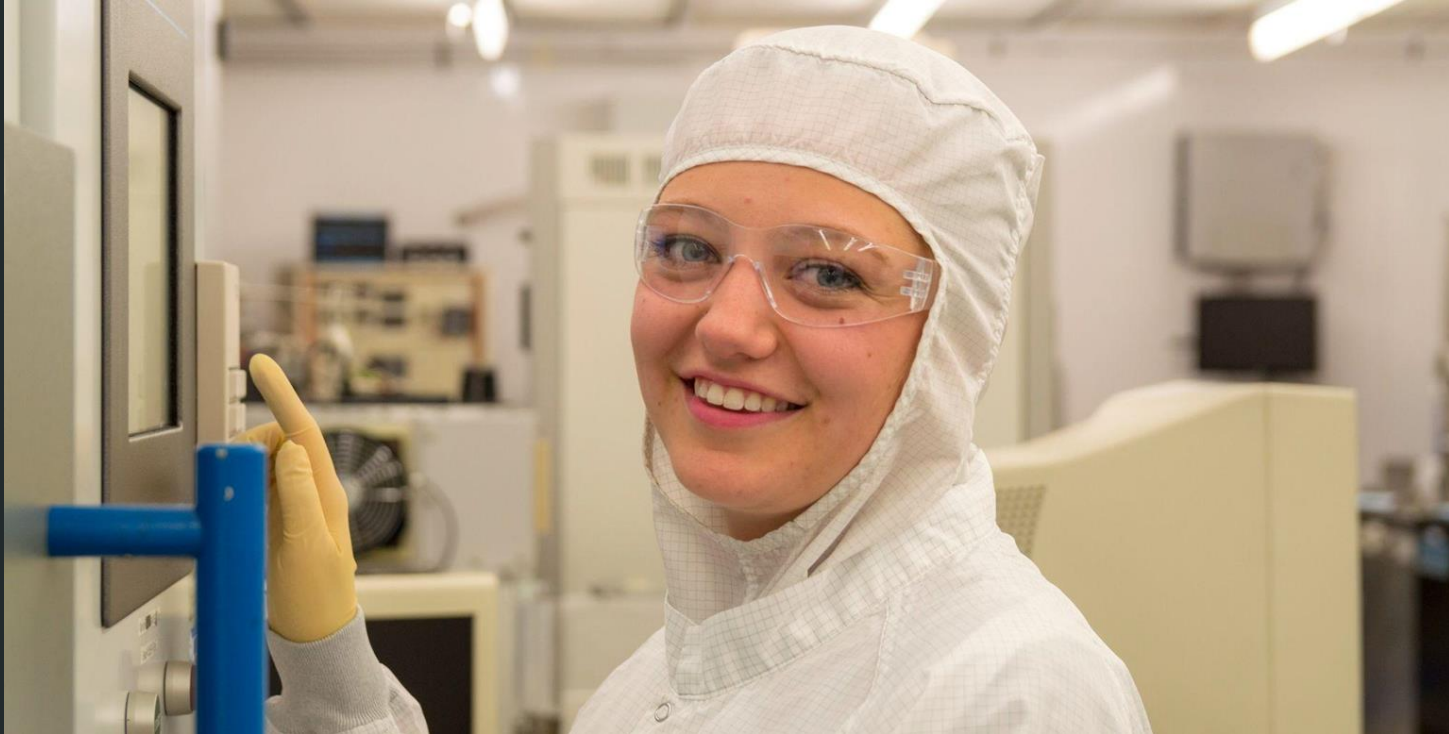


# Tax Credit Structure



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# Other Points



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# Eligibility: Business Type, Industry, and Location

naics.com/naics-code-description/?code=334413

**NAICS ASSOCIATION** NAICS SEARCH Q SIC SEARCH Q DATA ENRICHMENT BUSINESS LISTS MARKET SIZING COMPANY LOOKUP Q

## NAICS Code Description

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NAICS Code/Keyword Search

### 334413 - Semiconductor and Related Device Manufacturing

Top Businesses by Annual Sales for 334413 – Click for Complete Profiles:

<a href="#">Intel Corporation</a>	<a href="#">Advanced Micro Devices Inc</a>
<a href="#">Micron Technology Inc</a>	<a href="#">Lam Research Corporation</a>
<a href="#">Broadcom Inc</a>	<a href="#">Philips Holding USA Inc</a>
<a href="#">Nvidia Corporation</a>	<a href="#">Akt America Inc</a>
<a href="#">Texas Instruments Incorporated</a>	<a href="#">Nokia of America Corporation</a>

This U.S. industry comprises establishments primarily engaged in manufacturing semiconductors and related solid-state devices. Examples of products made by these establishments are integrated circuits, memory chips, microprocessors, diodes, transistors, solar cells and other optoelectronic devices.

# EXAMPLES



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# EXAMPLES



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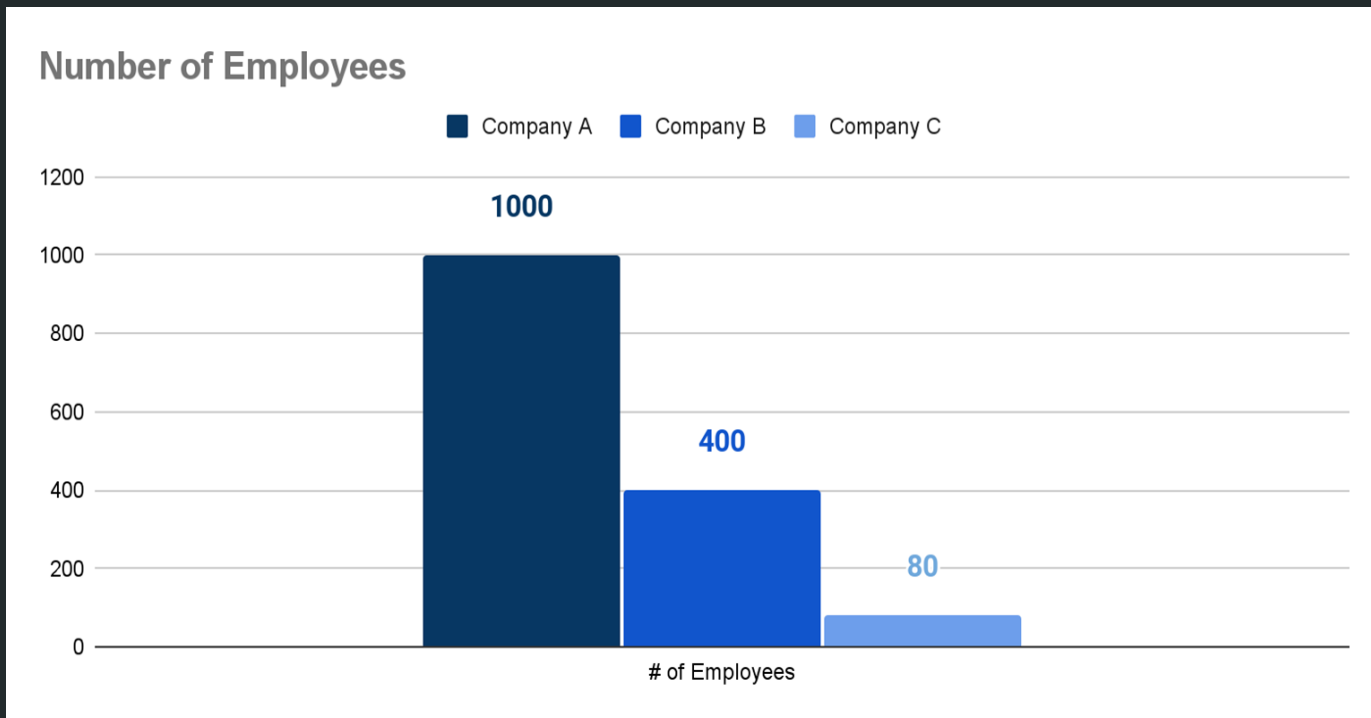
## Example: Company Profiles

	Company A (Large)	Company B (Medium)	Company C (Small)
# of Employees	1,000+	400	80
R&D Base Amount	\$100 million	\$15 million	\$3 million
Qualified Research Expense (QRE)	\$130 million	\$30 million	\$9 million
Tax Liability	\$6 million	\$2 million	\$750,000



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# Example: Company Profiles

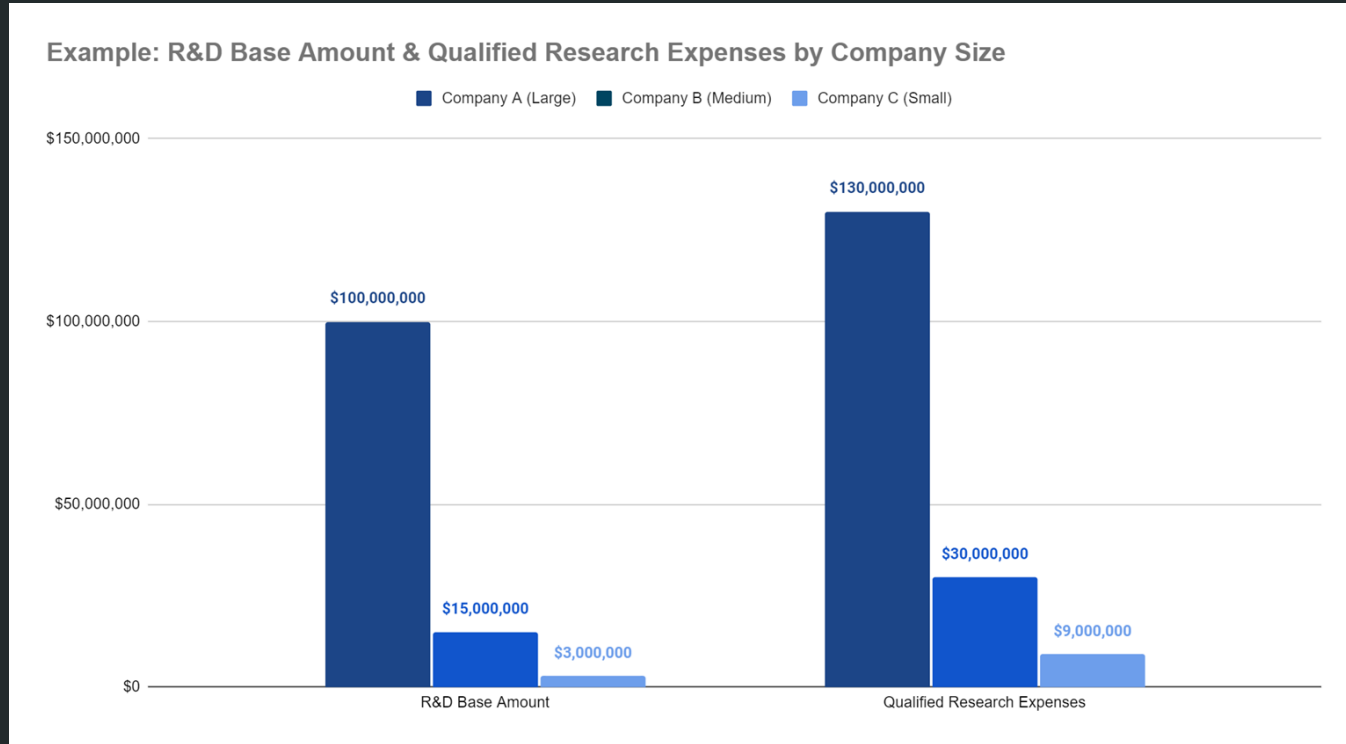


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*Example; For illustrative purposes only*

# Example: Company Profiles



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# Example #1

## FORMULA



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# Formula: How it is Calculated

R&D Base Spending: Taxpayer's historical R&D activity

Qualified Research Expenses (QRE): Taxpayer's new (higher) R&D spending

Tax Credit Base: Base amount from which the tax credit is calculated



Tax Credit Base = Qualified Research Expenses minus R&D Base Spending



Tax Credit Amount = Tax Credit Base multiplied by 25%



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## Formula: Example

**Company A:** Qualified Research Expense: \$130 million | R&D Base Spending: \$100 million

Tax Credit Base = \$30 million

Formula (25% of Tax Credit Base) = \$7.5 million credit

**Company B:** Qualified Research Expense: \$30 million | R&D Base Spending: \$15 million

Tax Credit Base = \$15 million

Formula (25% of Tax Credit Base) = \$3.75 million credit

**Company C:** Qualified Research Expense: \$9 million | R&D Base Spending: \$3 million

Tax Credit Base = \$6 million

Formula (25% of Tax Credit Base) = \$1.5 million credit

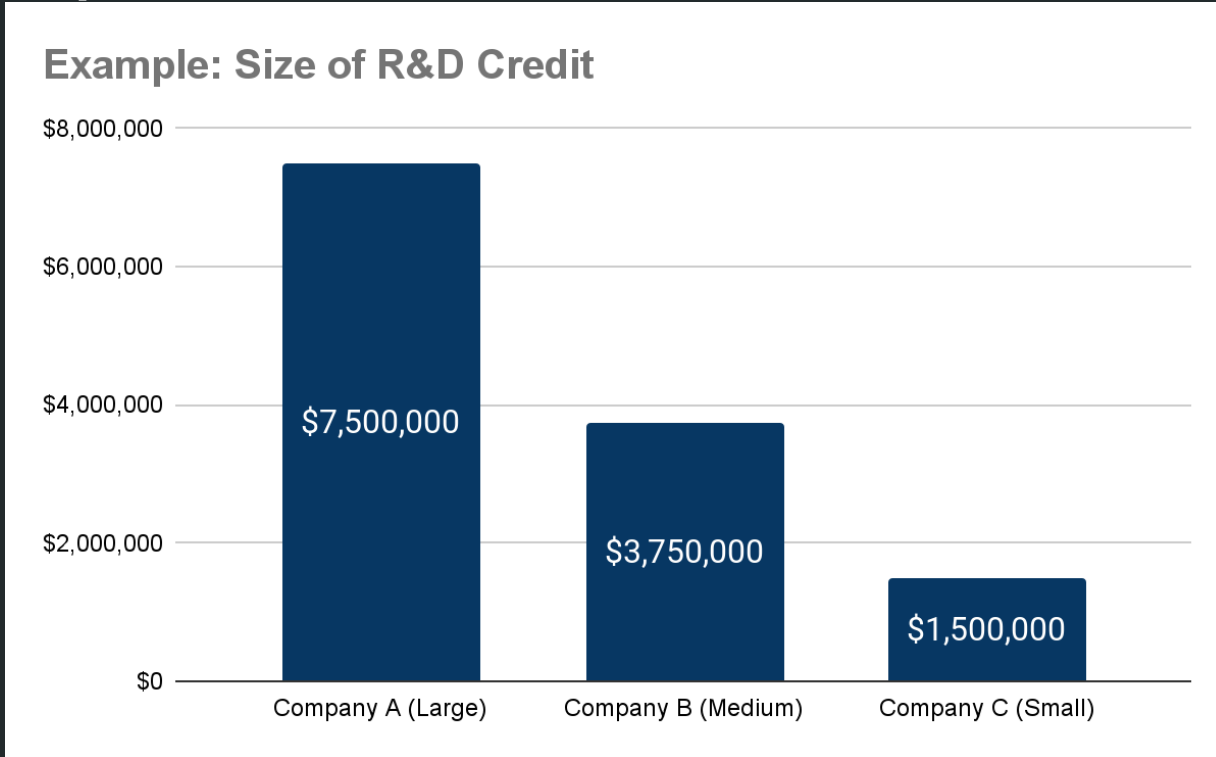


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# Formula: Example

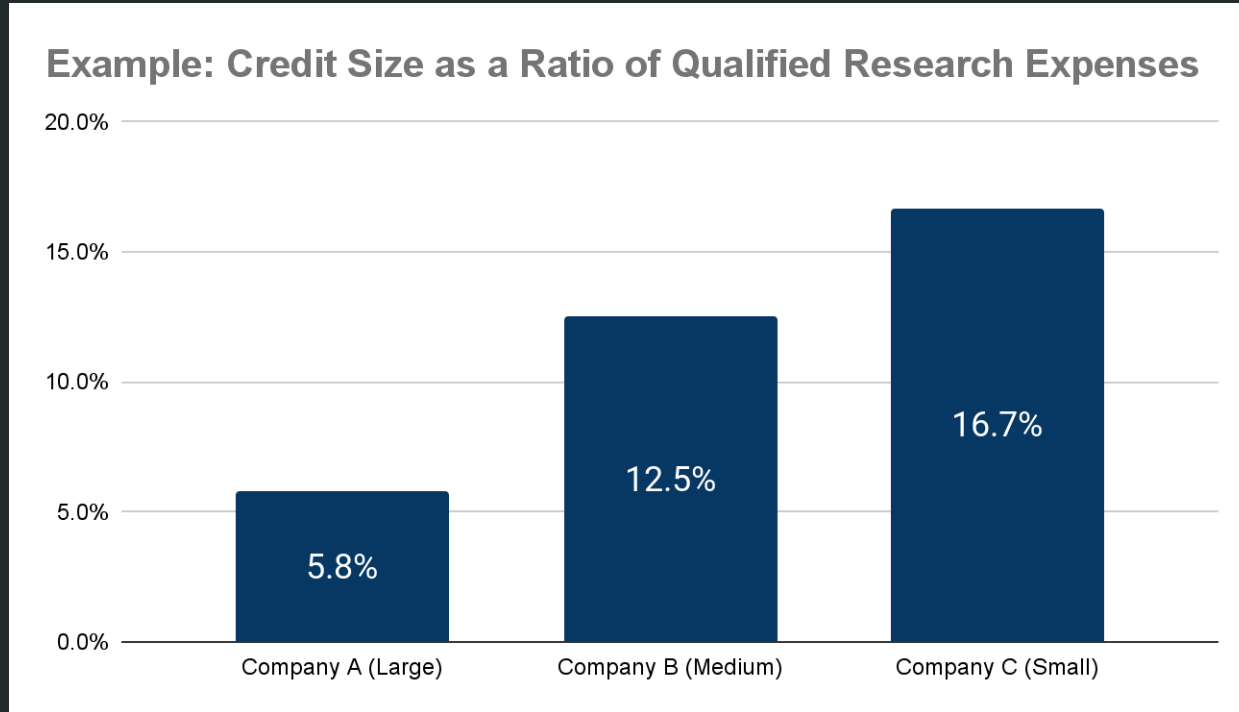
*Example; For illustrative purposes only*



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*Example; For illustrative purposes only*

# Formula: Example



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## Example #2

CAP/MAXIMUM



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# Cap/Maximum

**Company A:** Qualified Research Expense: \$130 million | R&D Base Spending: \$100 million

Number of Employees = 1,000+

Cap/Maximum = \$10 million

**Company B:** Qualified Research Expense: \$30 million | R&D Base Spending: \$15 million

Number of Employees = 400

Cap/Maximum = \$10 million

**Company C:** Qualified Research Expense: \$9 million | R&D Base Spending: \$3 million

Number of Employees = 80

Cap/Maximum = \$5 million

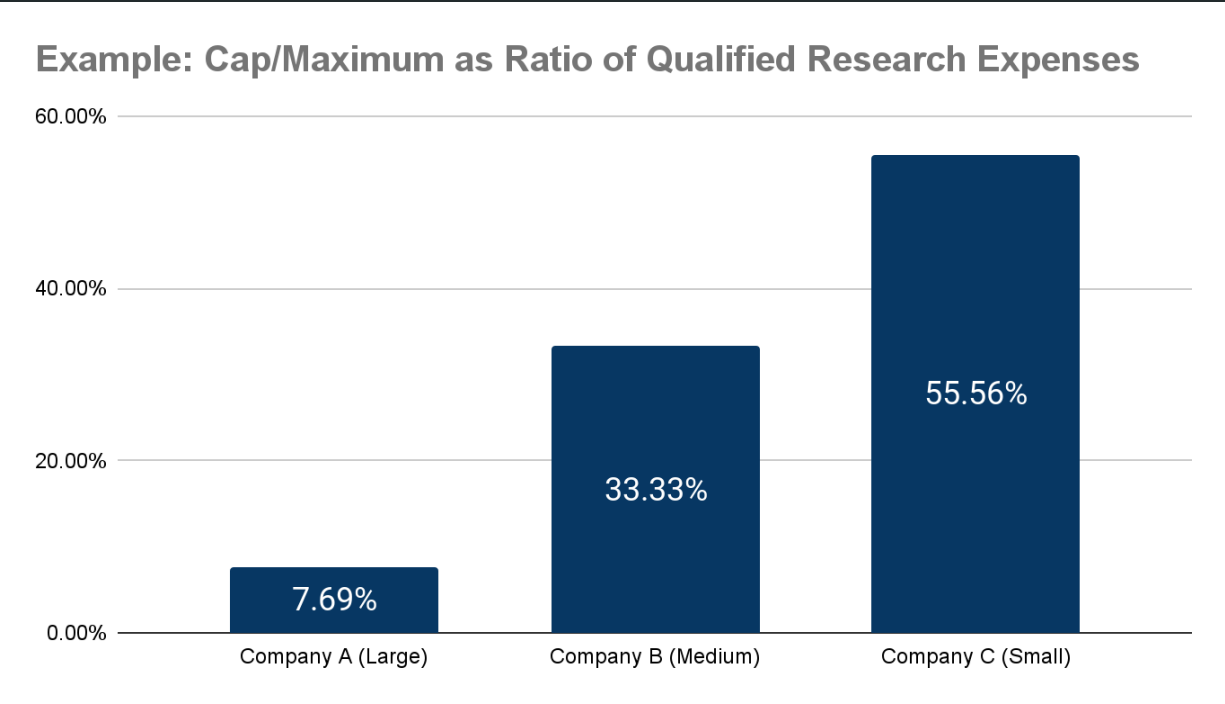


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# Cap/Maximum



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## Example #3

# REFUNDABILITY AND CARRYFORWARD



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# Refundability and Carryforward: Example

**Company A:** Tax Liability: \$6 million | Size of R&D Credit: \$7.5 million | Number of Employees: 1,000+

Refundability: 0%

Carryforward: \$1.5 million (*for up to 5 years*)

Refundable Credit = \$0

**Company B:** Tax Liability: \$2 million | Size of R&D Credit: \$3.75 million | Number of Employees: 400

Refundability: 50%

Carryforward: \$875,000 (*for up to 5 years*)

Refundable Credit = \$875,000

**Company C:** Tax Liability: \$750,000 | Size of R&D Credit: \$1.5 million | Number of Employees: 80

Refundability: 100%

Carryforward: N/A

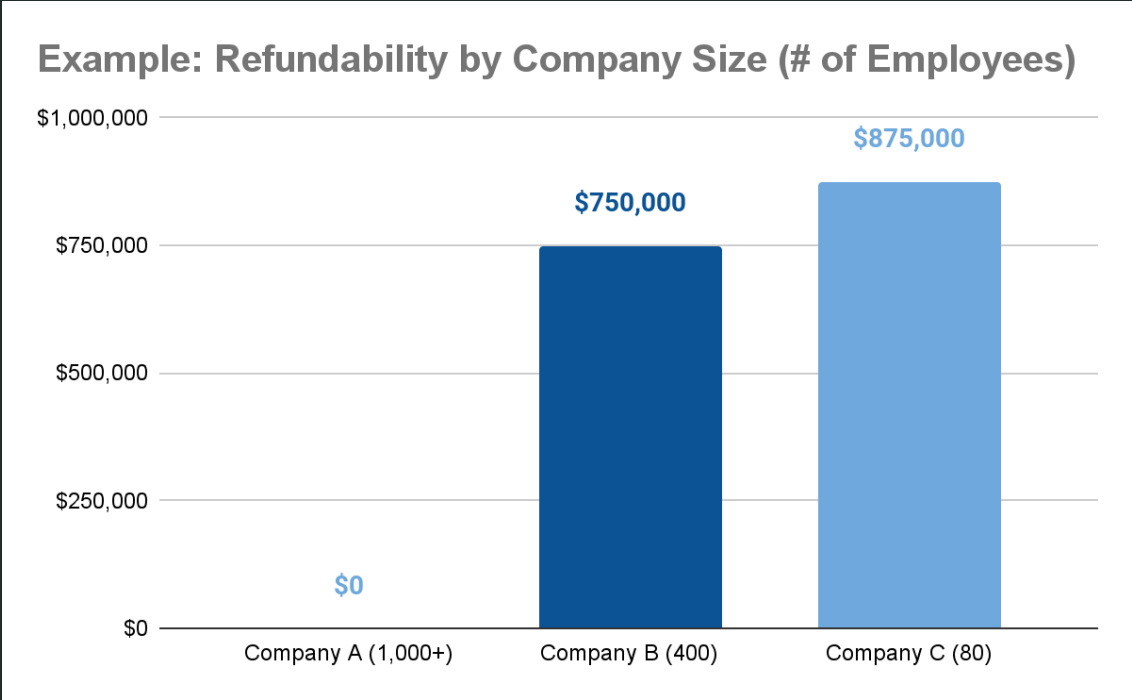
Refundable Credit = \$750,000



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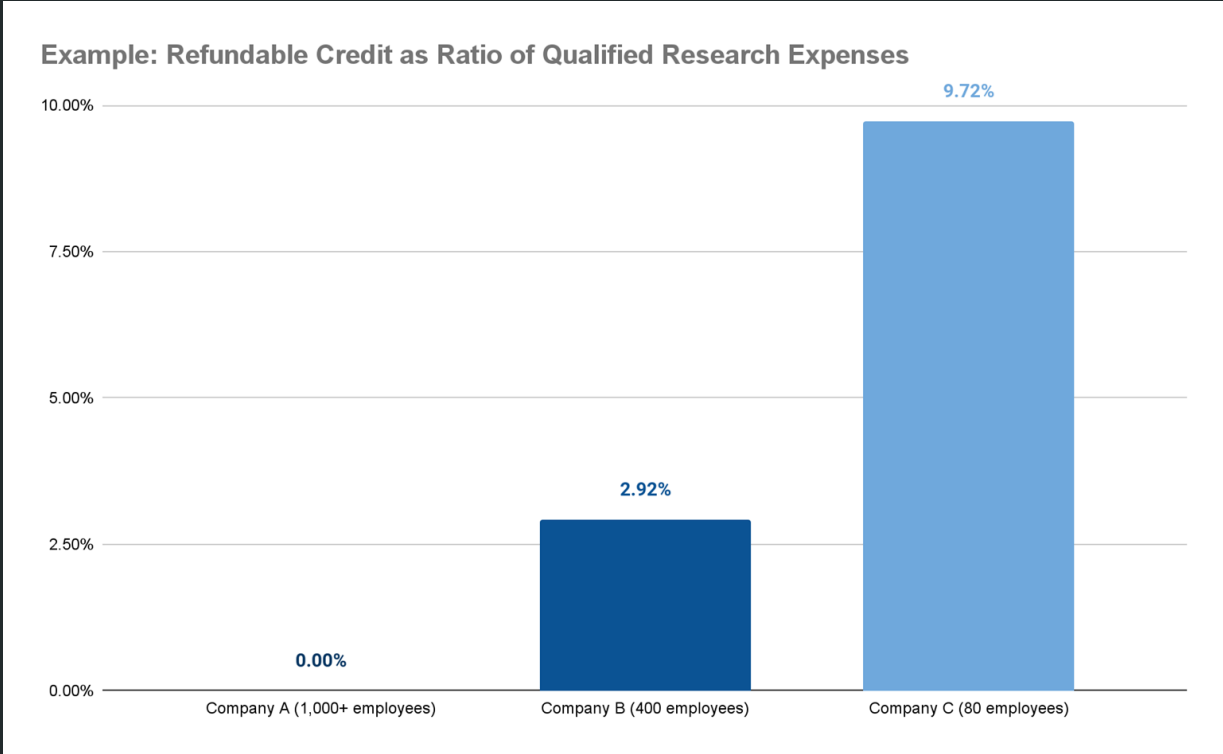
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# Refundability and Carryforward: Example



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# Refundability and Carryforward: Example



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