

1996

Wisconsin Research Credits

(Attach to Wisconsin Form 4, 4I, 4T, or 5)

Schedule R

Table with 2 columns: Name, Federal Employer ID Number and Wisconsin Department of Revenue

Part I Credit for Increasing Research Expenses

Table with 2 columns: Description of research expenses and line numbers 1-16

Part II Credit for Research Facilities

Table with 2 columns: Description of research facilities and line numbers 17-20

Instructions for Schedule R

Items to Note

- The changes in computing the federal research credit made by Public Law 104-188 do not apply for Wisconsin purposes for taxable years beginning in 1996. Compute the Wisconsin credit under the Internal Revenue Code (IRC) as amended to December 31, 1995. Unlike the federal research credit, the Wisconsin research credit applies for the period from July 1, 1995, through June 30, 1996.

General Instructions

Purpose of Schedule R

A corporation other than a tax-option (S) corporation uses Schedule R to compute and claim the credits for (1) increasing research activities in Wisconsin and (2) constructing and equipping new facilities or expanding existing facilities used for qualified research in Wisconsin. You must attach Schedule R to your Wisconsin franchise or income tax return.

An additional credit is available for increasing research activities in a Wisconsin development or enterprise zone. Use Schedule DC or EC, as appropriate, after completing Schedule R, to figure the amount of Wisconsin development or enterprise zone research credit.

Who Is Not Eligible

Partnerships, limited liability companies treated as partnerships, tax-option (S) corporations, and individuals, including individual partners, members, and shareholders, cannot claim research credits.

What Are Qualified Research Expenses

“Qualified research expenses” are defined in IRC section 41 as amended to December 31, 1995. They are the sum of in-house research expenses and 65% of contract research expenses. See IRC section 41 for further details.

What Is Qualified Research

“Qualified research” is defined in IRC section 41. It means research, the costs of which may be treated as expenses under IRC section 174, that is undertaken for the purpose of discovering information which 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. See IRC sections 41 and 174 for a complete definition and special rules.

What Are Qualified Research Facility Expenditures

“Qualified research facility expenditures” are amounts paid or incurred during the taxable year to construct and equip new facilities or to expand existing facilities used in Wisconsin for qualified research. Eligible amounts include amounts paid or incurred for tangible, depreciable property, but do not include amounts paid or incurred for replacement property. See the tax release in Wisconsin Tax Bulletin 68, page 30, for more information.

Internal Revenue Code

For purposes of computing the research credits, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 1995, but excluding IRC section 41(h).

Credits Are Income

The amount of credits constitutes income to the claimant and must be reported as income on the Wisconsin franchise or income tax return for the taxable year for which the credit is computed. Include the amount of credit computed on Schedule R on Form 4 or 5, Schedule V, line 9.

Carryover of Unused Credits

The research credits are nonrefundable. Any unused credit may be carried forward for 15 years. If there is a reorganization of a corporation claiming a research credit, the limitations provided by IRC section 383 may apply to the carryover of any unused Wisconsin research credit.

Adjustments for Certain Acquisitions and Dispositions

If a major portion of a trade or business is acquired or disposed of, adjustments must be made to qualified research expenses and gross receipts for the period before or after the acquisition or disposition. See IRC section 41(f)(3) for details.

Short Taxable Year

For any short taxable year, qualified research expenses or expenditures and gross receipts must be annualized.

Information

For more information, write to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906 or call (608) 266-2772.

Specific Instructions

Line 1. Enter wages you pay to employes for actually doing research work, or for directly supervising or directly supporting research work, in Wisconsin. Generally, "wages" means the amount reported on the employe's wage statement, Form W-2. Include qualified wages that were used in computing the federal work opportunity tax credit.

Line 2. Enter the cost of supplies used in the conduct of qualified research in Wisconsin. "Supplies" are tangible property other than land, improvements to land, or depreciable property whether or not you take a depreciation deduction for it.

Line 3. Enter 65% of amounts paid under a contract for qualified research performed in Wisconsin by someone other than your employe.

Line 4. Enter any expenses used in computing the federal orphan drug credit that are Wisconsin qualified research expenses.

Note for Lines 1 through 4. Expenses incurred entirely outside Wisconsin may not be allocated to Wisconsin even if incurred for the benefit of research in Wisconsin. If qualified research expenses are incurred in and outside Wisconsin and the amount incurred in Wisconsin cannot be accurately determined, a portion of the qualified expenses may be reasonably allocated to Wisconsin.

Line 6. Enter the amount of any wages included on line 5 that qualify for the Wisconsin development or enterprise zone jobs credit. These wages may not be used in determining the Wisconsin research credit.

Line 8. Complete lines 1 through 5 of the worksheet below and enter the average annual Wisconsin gross receipts from line 5 on Schedule R, line 8.

On line 1 of the worksheet, enter the gross receipts for the 4 taxable years preceding the current taxable year (1992, 1993, 1994, and 1995). Reduce gross receipts for any taxable year by returns and allowances.

On line 2 of the worksheet, enter the portion of the total gross receipts included on line 1 that are not attributable to Wisconsin.

Sales of tangible personal property are allocated to Wisconsin if (1) the property is delivered or shipped to a purchaser, other than the federal government, within Wisconsin, or (2) the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin and delivered to the federal government within Wisconsin. Other sales are allocated to Wisconsin if the income-producing activity is performed in Wisconsin.

Line 9. Compute the fixed-base percentage as follows:

Existing firms must complete lines 6 through 18 of the worksheet below and enter the fixed-base percentage from line 18 on Schedule R, line 9. The fixed-base percentage is the ratio of the total qualified research expenses incurred in Wisconsin for at least 3 taxable years from 1984 to 1988 to the total gross receipts for those taxable years. **Note:** The maximum percentage that may be entered on line 9 is 16%.

Startup companies having both gross receipts and qualified research expenses in fewer than 3 taxable years beginning after December 31, 1983, and before January 1, 1989, must enter 3% on line 9.

Line 17. Enter the qualified research facility expenditures, as defined earlier. The expenditures in Part II do not include any expenses that are includable as qualified research expenses in Part I.

WORKSHEET

Average Annual Gross Receipts	(a)	(b)	(c)	(d)
	1992	1993	1994	1995
1 Total gross receipts				
2 Out-of-state receipts included on line 1				
3 Subtract line 2 from line 1				
4 Add line 3, columns a through d				
5 Divide amount on line 4 by 4. This is average annual gross receipts to enter on Schedule R, line 8				

Fixed-Base Percentage	(a)	(b)	(c)	(d)	(e)
	1984	1985	1986	1987	1988
6 Wisconsin research wage expenses					
7 Wisconsin research supplies expenses					
8 Wisconsin contract research expenses					
9 Qualifying expenses used in federal orphan drug credit					
10 Add lines 6 through 9					
11 Wages for development or enterprise zone jobs credit					
12 Subtract line 11 from line 10					
13 Add line 12, columns a through e					
14 Total gross receipts					
15 Out-of-state receipts on line 14					
16 Subtract line 15 from line 14					
17 Add line 16, columns a through e					
18 Divide line 13 by line 17. This is the fixed-base percentage to enter on Schedule R, line 9					