

Submit this form and supporting documentation by September 1.

This credit must be approved before being claimed on your return. See the instructions for details.

Taxpayer Information			
Business Name		<input type="checkbox"/> FEIN <input type="checkbox"/> SSN	
Trading As		<input type="checkbox"/> Fiscal Year Filer _____ to _____	
Street Address			
City, State, ZIP Code		Email Address (Optional)	
Contact Name		Phone Number	Fax Number
NAICS Code	NAICS Description		

Section 1 – Credit Calculation	
Total current calendar year Virginia qualified research and development expenses must be in excess of \$5 million to claim the Major Research and Development Expenses Tax Credit. See instructions and Schedule B.	
Part 1 – Complete if R&D Expenses Were Incurred for Preceding 3 Taxable Years	
1. <input type="checkbox"/> If you incurred research and development expenses for the 3 preceding taxable years, check here and complete Part 1, Lines 2 and 3a-3d.	
2. Total Adjusted Research and Development Expenses Enter the amount from Form MRD, Schedule B, Section 4, Line 4c.	.00
3. Credit Computation	
3a. Multiply Line 2 by 10% (0.1) up to the first \$1,000,000 of expenses.	.00
3b. Subtract \$1,000,000 from Line 2.	.00
3c. Multiply Line 3b by 5% (0.05).	.00
3d. Add Lines 3a and 3c.	.00
Part 2 – Complete if R&D Expenses Were Not Incurred for Preceding 3 Taxable Years	
1. <input type="checkbox"/> If you did not incur research and development expenses for the 3 preceding taxable years, check here and complete Part 2, Lines 2 and 3.	
2. Total Adjusted Research and Development Expenses Enter the amount from Form MRD, Schedule B, Section 1, Line 1a.	.00
3. Credit Computation Multiply Line 2 by 5% (0.05).	.00
Part 3 – Credit Requested	
1. Enter the amount from Part 1, Line 3d or Part 2, Line 3. This amount cannot exceed \$300,000 (if research was not connected with a Virginia college or university) or \$400,000 (if research was connected with a Virginia college or university).	.00

Name as it Appears on Form MRD	<input type="checkbox"/> FEIN <input type="checkbox"/> SSN
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Section 2 – Credit Information

1. Number of full time employees during the year for which the credit is sought.	
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2. Total gross receipts or anticipated gross receipts for the taxable year the credit is sought.	
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3. Have you ever received a federal credit for these research activities?	<input type="checkbox"/> Yes (If yes, enclose federal Form 6765) <input type="checkbox"/> No
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4. If you applied for any other Virginia tax credits this year, identify the credit(s):	

5. Research Field:		
<input type="checkbox"/> Biotechnology	<input type="checkbox"/> Cyber Security	<input type="checkbox"/> Industrial
<input type="checkbox"/> Engineering	<input type="checkbox"/> Food & Beverage Development	<input type="checkbox"/> Other _____
<input type="checkbox"/> Medical	<input type="checkbox"/> Technology	

6. Provide: (1) A description of your research project(s).	
(2) A summary of how this research qualifies as defined in § 41(d) of the Internal Revenue Code.	

7. Do you conduct research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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I (we) the undersigned declare, under the penalties provided by law, that this form (including any accompanying schedules, statements, and enclosures) has been examined by me (us) and is, to the best of my (our) knowledge and belief, a true, correct, and complete application, made in good faith pursuant to the income tax laws of the Commonwealth of Virginia.

Authorized Signature	Title	Date
Printed Name	Phone Number	
Email Address (Optional)	Fax Number	

**Form MRD
Schedule A**

Major Research and Development Expenses Tax Credit
Summary of Qualified Expenses

**Taxable Year
2023**

Name as it Appears on Form MRD	<input type="checkbox"/> FEIN <input type="checkbox"/> SSN
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Supplemental Forms Checklist

Prior to completing the Form MRD Schedule A, qualified expenses must be recorded on the applicable expense forms. Check the boxes below to indicate which supplemental forms have been used to complete this schedule. See the instructions on these forms for details.

- Schedule RD-CON, Research and Development Tax Credits Schedule of Contract Research Expenses:** Complete and submit this schedule if claiming the credit on the basis of contract research expenses.
- Schedule RD-SUP, Research and Development Tax Credits Schedule of Supply Expenses:** Complete and submit this schedule if claiming the credit on the basis of supplies used in the conduct of qualified research.
- Schedule RD-WAGE, Research and Development Tax Credits Schedule of Qualified Wages:** Complete and submit this schedule if claiming the credit on the basis of qualified wages.

Instructions for Schedule A

Enter the total amount of qualified research and development expenses that were reported on the expense schedule(s) listed above.

Do not include expenses incurred in relation to research conducted in Virginia on human cells or tissue derived from induced abortions or stem cells obtained from embryos. See the Form MRD instructions and IRC § 41 for additional requirements regarding qualified research and development expenses.

Summary of Expenses	
Expense Type	Total Qualified Virginia Research Expenses
1. Contract Research Expenses Enter amount from Schedule RD-CON , Column G.	\$.00
2. Supply Expenses Enter the amount from Schedule RD-SUP , Column C.	\$.00
3. Wages Enter the amount from Schedule RD-WAGE , Column C.	\$.00
4. Total Qualified Expenses Add Lines 1-3 and enter result.	\$.00

Enclose applicable expense schedules with Form MRD.

Name as it Appears on Form MRD	<input type="checkbox"/> FEIN <input type="checkbox"/> SSN
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Section 1 – Virginia Qualified Research and Development Expenses

<i>Fiscal year filers: Include expenditures for Calendar Year 2023 (CY), regardless of fiscal year (FY) incurred.</i>	
1a. Virginia Qualified Research and Development Expenses in CY 2023. Enter the total from Schedule A, Line 4. These expenses must be in excess of \$5 million in order to claim the Major Research and Development Expenses Tax Credit. (For FY filers, this will include a portion of 2 taxable years).	.00
1b. Short year filers only : Enter the number of days included in the short year.	.00
1c. Short year filers only : Divide the number of days in Line 1b by 365 (366 if a leap year).	.00

Section 2 – Determination of How to Compute the Credit

2. Were research and development expenses paid or incurred for the 3 taxable years immediately preceding the taxable year for which the credit is being claimed? If “Yes,” complete Sections 3 and 4. If “No,” stop here and enter the amount on 1a above on Form MRD Section 1, Line 1.	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Section 3 – Average Qualified Research and Development Expenses Computation

<i>The Average Qualified Research and Development Expenses for the 3 taxable years ending before the CY 2023.</i>	
3a. Expenses for the 3rd preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2020. <u>FY filers</u> : enter expenses for Taxable Year 2019.	.00
3b. Expenses for the 2nd preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2021. <u>FY filers</u> : enter expenses for Taxable Year 2020.	.00
3c. Expenses for the preceding taxable year. <u>CY filers</u> : enter expenses for Taxable Year 2022. <u>FY filers</u> : enter expenses for Taxable Year 2021.	.00
3d. Total expenses from preceding 3 taxable years. Add Lines 3a-3c.	.00
3e. Average qualified research and development expenses for the preceding 3 taxable years. Divide amount on Line 3d by 3. If the credit year is a short taxable year, multiply the average qualified research and development expenses for the preceding 3 taxable years by the amount determined in Line 1c.	.00

Section 4 – Adjusted Expenses

<i>For filers with Virginia qualified research and development expenses for the preceding 3 taxable years.</i>	
4a. Enter the current year expenses amount from Line 1a.	.00
4b. Multiply the total average expenses on Line 3e by 50% (0.5).	.00
4c. Subtract Line 4b from Line 4a.	.00

2023 Instructions for Form MRD

Application for Major Research and Development Expenses Tax Credit

General Information

For taxable years beginning on or after January 1, 2016, but before January 1, 2025, taxpayers with Virginia qualified research and development expenses in excess of \$5 million for a taxable year may claim the Major Research and Development Expenses Tax Credit against the individual and corporate income taxes. For taxable years beginning on or after January 1, 2021, but before January 1, 2025, such taxpayers may also claim the Major Research and Development Expenses Tax Credit against the bank franchise tax.

For taxable years beginning on or after January 1, 2023, but before January 1, 2025, the credit amount is equal to:

- a. 10%, up to the first \$1 million, of the difference between (i) Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year and (ii) 50% of the average Virginia qualified research and development expenses paid or incurred by the taxpayer for the 3 taxable years immediately preceding the taxable year for which the credit is being determined.
- b. 5% of the difference in excess of \$1 million between (i) any Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year and (ii) 50% of the average Virginia qualified research and development expenses paid or incurred by the taxpayer for the 3 taxable years immediately preceding the taxable year for which the credit is being determined.

If the taxpayer did not pay or incur Virginia qualified research and development expenses in any 1 of the 3 taxable years immediately preceding the taxable year for which the credit is being determined, the tax credit equals 5% of the Virginia qualified research and development expenses paid or incurred by the taxpayer during the taxable year.

The aggregate amount of credits allowed to each taxpayer per taxable year cannot exceed \$300,000 or \$400,000 if the qualified research was conducted in conjunction with a public or private institution of higher education in the Commonwealth.

For taxable years beginning on and after January 1, 2023, but before January 1, 2025, there is a \$16 million cap on the total amount of credits allowed in any fiscal year. If the total amount of credits exceeds \$16 million for any taxable year, the Department will apportion the credits by dividing \$16 million by the total amount of tax credits approved to determine the percentage of allowed tax credits each taxpayer will receive.

The credit amount for the taxable year may not exceed 75% of the total tax amount of the taxpayer for the year in which the credit is being claimed. Any credit not used in the taxable year in which the credit was first allowed may be carried over against the income taxes of the taxpayer for the next 10 succeeding tax years or until the total amount of the tax credit has been taken, whichever is sooner.

Any taxpayer who is allowed a research and development expenses tax credit is not allowed to use the same expenses as the basis for claiming any other Virginia tax credit. No taxpayer may claim both this credit and the Research and Development Expenses Tax Credit.

For additional information regarding the credit, see the Major Research and Development Expenses Tax Credit Guidelines, which are available on the Department's website at www.tax.virginia.gov.

Computing the Average Amount of Virginia Qualified Research and Development Expenses for Short Taxable Years

When determining the average amount of Virginia qualified research and development expenses for the 3 years preceding the credit year, if 1 or more of the 3 taxable years preceding the credit year is a short taxable year, then the Virginia qualified research and development expenses for that year must be modified by multiplying that amount by 365 (366 in a leap year) and dividing the result by the number of days in the short taxable year.

Definitions

Virginia qualified research – qualified research, as defined in IRC § 41(d), as amended, that is conducted in Virginia. In general, this is 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.

Virginia qualified research and development expenses – qualified research expenses, as defined in IRC § 41(b), as amended, incurred for Virginia qualified research. In general, this is the sum of the in-house research expenses and the contract research expenses.

Stem Cell Research

Research and development expenses that are paid or incurred for research conducted in Virginia on human cells or tissue derived from induced abortions or from stem

cells obtained from embryos do not qualify for the credit. Research and development expenses that are paid or incurred for research conducted in Virginia on nonhuman embryonic stem cells may qualify for the credit.

When to Submit Application

Form MRD and any supporting documentation must be completed and mailed no later than September 1.

For any application received without a postmark, the date received by the Department will be used to determine if the application was received by the filing deadline.

What to Enclose

To allow us to process this application, provide the following:

- Outline of the type of research and development being conducted in Virginia.
- Schedule A and Schedule B. You must retain a copy of any supporting documentation of these expenditures.
- The following supplemental expense schedules, as applicable:
 - Schedule RD-CON (contract research expenses)
 - Schedule RD-SUP (supply expenses)
 - Schedule RD-WAGE (qualified wages)

Upon request, you may be required to provide proof of purchase, such as an invoice, receipt, cancelled check, bank statement, or credit card statement.

Where to Submit Application

Submit Form MRD and enclosures to the **Virginia Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or fax it to **(804) 774-3902**.

What to Expect from the Department

If the Department needs additional information, the agency will contact you by November 1 and you will have until November 15 to respond. If you have not received acknowledgement of your application by November 15, call **(804) 786-2992**.

The Department will issue the credit by November 30. If you have not received your credit certification by December 15, call **(804) 786-2992**.

What Does the Taxpayer Need to Do

Upon receiving notification of the allowable credit amount, taxpayers may claim the allowable credit amount on the applicable Virginia income tax return. Taxpayers who do not receive notification of allowable credit amounts before their Virginia income tax return due date may file during the extension period or file their regular return without the

credit and then file an amended tax return after receipt of notification of the allowable credit amount to claim the tax credit. As an enclosure with their return, a corporation must file Schedule 500CR; an individual must file Schedule CR; a pass-through entity must file Schedule 502ADJ; and a bank franchise must file Form 64, Schedule CR.

If the tax return upon which this credit will be claimed is due on or before November 30, you may need to either submit an extension payment for any tax due or file an amended return once you have received the credit certification.

IMPORTANT NOTES

- By providing an email address on the form, you consent to allow emailed communications from the Virginia Department of Taxation related to this tax credit application. If you do not wish to receive electronic communications, do not enter an email address in the spaces provided on the form.
- All business taxpayers should be registered with the Department before completing Form MRD. If you are not registered, complete Form R-1.

Pass-Through Entities

Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) will be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership interests in such entities or in accordance with a written agreement entered into by such individual partners, members, or shareholders.

Each pass-through entity must file Form TCA with the Department when allocating this credit to its participants. Form TCA should be filed within 30 days after the credit is granted, but at least 90 days prior to the participants filing their income tax returns. Failure to file Form TCA may result in the credit claim being disallowed and/or a delay in processing the participant's return. This information should be sent to: **Virginia Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **(804) 774-3902**. **Do not do both.**

All pass-through entities distributing this credit to its participants, including owners, shareholders, partners, or members, must give each such participant a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits.

Where To Get Help

Write to the **Virginia Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or call **(804) 786-2992**.

**Form MRD
Checklist**

**Major Research and Development Expenses
Tax Credit Enclosure Checklist**

**Taxable Year
2023**

Must be included with Form MRD

Name as it Appears on Form MRD	<input type="checkbox"/> FEIN <input type="checkbox"/> SSN
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All expenses must be for the calendar year of the application, regardless of fiscal year incurred.

- Provide:**
 - 1) A description of your research project(s).
 - 2) A summary of how this research qualifies as defined in IRC § 41(d).
- Check the applicable box on Form MRD to indicate whether you conduct research and development in Virginia on human cells or tissue derived from induced abortions or from stem cells obtained from human embryos.
- The Form MRD, Schedule A. Include the applicable expense schedule(s) that have been used to complete the Schedule A.
- The Schedule RD-CON, if claiming the credit on the basis of qualified contract research expenses.

Note: For purposes of computing your qualified research expenses, contract research expenses are included as follows: 1) 65% of any amount paid to a nonemployee for qualified research; 2) 75% of any amount paid to a qualified research consortium for qualified research; and 3) 100% of any amount paid to an eligible small business, an institution of higher education as defined in IRC § 3304(f), or an organization that is a federal laboratory as defined in IRC § 3304(f).

Any individual who receives a Form 1099 is considered an independent contractor and his/her payroll expenses must be reported at 65%.

- The Schedule RD-SUP, if claiming the credit on the basis of qualified supply expenses used in the conduct of qualified research.
- The Schedule RD-WAGE, if claiming the credit on the basis of qualified wages as defined by IRC § 3401. Include employee full names, complete SSNs, and salary allocated to Virginia qualified research and development activities. To ensure that all of your qualifying employees can be verified, you must provide their complete SSN. Wages reported without complete SSNs may not qualify for the credit. If reporting more than 25 employees, you may submit an electronic copy of the wage information using the same format as Schedule RD-WAGE. For instructions on how to send the wage information electronically, contact the Department's Tax Credit Unit at **(804) 786-2992**.
- The Form MRD Schedule B.
- A copy of federal Form 6765, if you have ever received a federal credit for these research activities.

The Department will be unable to process the application until all of the required enclosures have been submitted.