



RESEARCH AND DEVELOPMENT TAX CREDIT

- The R&D tax credit in Illinois is modeled after the federal R&D tax credit, including the federal definition of qualifying research.
- The credit was extended in 2019 with a sunset of 12/31/2026.

Non-refundable tax credit equal to 6.5% of qualifying research expenditures that exceed the baseline amount

BASELINE

- 3 year average of R&D costs in Illinois.
- If the taxpayer incurred no qualifying expenditures during a base period year, the qualifying expenditures for that year are zero, even if the taxpayer was not in existence or conducting any business in Illinois during that year.
- If the taxpayer was doing business in this State for only part of a base period year, the qualifying expenditures for that year shall be equal to the qualifying expenditures actually incurred, multiplied by 365 and divided by the number of days in the portion of the taxable year during which the taxpayer was doing business in Illinois.

QUALIFYING EXPENSES

- Any federally qualifying R&D expenses that are *made in Illinois qualify*.
- Qualified research is defined in IRC section 41(d) and 41(e) and includes the sum of the in-house research expenses, contract research expenses and basic research payments paid or incurred by the business.