

2004 RESEARCH EXPENSE TAX CREDIT WORKSHEET INSTRUCTIONS

This credit is available to businesses that spend increasing amounts of money for research. The credit equals 5% of qualified research expenses in excess of the base amount (the base amount is the average research expense for the last three years) plus 7.5% of basic research payments (relating to research performed by qualified universities or scientific research organizations). This credit applies only to the amount spent on research conducted in Maine. “Qualified research” and “qualified research expenses” are defined by the Internal Revenue Code § 41 as of December 31, 1994. “Basic research payments” are determined in accordance with the Code § 41(e)(1)(A). The credit cannot reduce the tax liability, excluding Minimum Tax, below zero. For corporations, the credit is limited to 100% of the first \$25,000 in income tax determined before other credits, plus 75% of the tax amount in excess of \$25,000. Any unused credit amount may be carried forward for a total of 15 years. Special rules apply to corporations that are members of a controlled group as defined by the Code §41(f)(1)(A) and to corporations that file a Maine combined return.

SPECIFIC LINE INSTRUCTIONS

In the case of pass-through entities (partnerships, LLCs, S corporations, trusts, etc.), the partners, members, shareholders, beneficiaries, etc., are allowed a credit in proportion to their respective interest in these entities. Attach a schedule showing the credit generated by the pass-through entity and the assignment/distribution to each partner, shareholder, beneficiary, etc. Include the name, address, and federal ID number of the pass-through entity on the schedule and the name and SSN/EIN of each partner, shareholder, beneficiary, etc.

Enter the taxpayer name and employer identification number (“EIN”) or social security number (“SSN”).

Line 1. Enter the basic research payments in excess of the federal base that were spent for research conducted in Maine included on federal Form 6765, Section A, line 3 or Form 6765, Section B, line 19. If the qualifying research is conducted both in and outside Maine, subtract the Maine portion of the federal base period amounts included on federal Form 6765, lines 2 and 18 from the Maine portion of the federal basic research payments included on federal Form 6765, lines 1 and 17. Enter the result on line 1 of the worksheet.

Line 3. Enter total qualified research expenses spent for research conducted in Maine during the taxable year included on federal Form 6765, Section A, line 8 or Form 6765, Section B, line 25.

Line 4. Enter the qualified research expenses spent for research conducted in Maine for the three prior tax years. This is the base amount for purpose of calculating the qualified research expense credit. If any of the 3 prior tax years is a short year, the qualified research expenses must be prorated according to federal regulations.

Line 7. Enter only unused credit amounts from prior years not exceeding the credit carryover period of 15 years.

Line 8. Calculate the allowable credit by adding lines 2, 6, and 7. For individuals, the credit is limited to the tax liability of the taxpayer. This limitation is applied on Form 1040ME, Schedule A. For taxable corporations, the credit is limited to \$25,000 plus 75% of the tax liability (before other credits) exceeding \$25,000, but in no event may the credit reduce the tax to less than zero. Corporations whose credit amount exceeds \$25,000 must attach a schedule showing the calculation of the allowable credit entered on line 8. The limitation where the credit cannot reduce the tax below zero is applied on Form 1120ME, Schedule C. Unused credit amounts resulting from the limitations described in this paragraph may be carried forward for 15 years.



**2004
RESEARCH EXPENSE TAX CREDIT
WORKSHEET
36 M.R.S.A. § 5219-K**

TAXPAYER NAME: _____ EIN/SSN: _____

Note: Owners of pass-through entities (partnerships, LLCs, S corporations, trusts, etc.) making an eligible investment, see instructions. Also, please provide name and ID number of the pass-through entity on the lines below.

NAME OF PASS-THROUGH ENTITY EIN/SSN

1. Basic research payments in excess of the federal base that were spent for research conducted in Maine included on federal Form 6765, Section A, line 3 or Form 6765, Section B, line 19. If research is conducted both in and outside of Maine, see instructions on how to calculate the amount to enter on this line. 1. _____
2. **Basic Research payments credit:** Line 1 x 7.5% (0.075) 2. _____
3. Total qualified research expenses spent for research conducted in Maine included on federal Form 6765, Section A, line 8 or Form 6765, Section B, line 25 3. _____
4. Total qualified research expenses spent on research conducted in Maine for the three previous years. For calendar year filers, these are (for short tax years, see instructions):
 - 2003 _____
 - 2002 _____
 - 2001 _____
 - Total _____ ÷ 3 = **Base amount** 4. _____
5. Qualified research expenses in excess of base amount (Line 3 minus line 4) 5. _____
6. **Qualified Research expense credit:** line 5 x 5% (0.05) 6. _____
7. Carryover from previous years 7. _____
8. **Total available credit:** Line 2 plus line 6 plus line 7. Corporations: if amount is greater than \$25,000, see instructions. Enter allowable credit amount on Form 1120ME, Schedule C, line 29g or Form 1040ME, Schedule A, line 12 8. _____