RESEARCH AND DEVELOPMENT TAX CREDIT PROGRAM

ELECTRONIC APPLICATION WALKTHROUGH

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Electronic Filing Requirement

In our continuing effort to promote “Government that Works,” the REV-545 paper application has been replaced with the Research and Development (R&D) Tax Credit online application system.

This system allows users instant access to the application submitted during the open submission period. Users can also periodically check the status of the application for notifications, and complete action items required to complete the Department of Revenue’s credit review.

All applicants must submit Research & Development tax credit applications using the online application platform. The Department will not accept applications in any other format. The deadline for submission is September 16, 2019.

Program Eligibility

In order to submit an application for R&D tax credits, your business must meet the following criteria:

1. Must be an entity subject to Personal Income Tax (Article III) or Corporate Net Income Tax (Article IV).
2. Must have research expenses incurred for qualified research and development conducted within Pennsylvania, as defined in section 41(d) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §41(d)) and section 41(b) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §41(b)) incurred for Pennsylvania qualified research and development.
3. Must be in state tax compliance with the laws and regulations of the Commonwealth as determined by the Department of Revenue.
4. Must have at least two years of R&D expenditures.

Help and Assistance

Contact RA-RVPACORPRD@pa.gov or call 717-705-6225 (select option 5 then option 2) with any questions concerning this application.

Accessing the R&D Application

The R&D application is accessible from May 30, 2019 to September 16, 2019 by visiting www.revenue.pa.gov by selecting the R&D Electronic State Application link on the home page.

If you are currently using a browser other than Internet Explorer, the application may not function as designed. The R&D electronic filing system is compatible with Internet Explorer only. Other browsers do not perform consistently with the R&D system therefore, it is not recommended.
**Login**

Selecting the application link from the preceding website connects you to the R&D Login page.

- To submit an electronic R&D application, users are required to create a Department of Revenue electronic signature, then log on using the e-signature.
- Enter your login information in the appropriate fields and select the Login button.

- A single user may file multiple R&D applications on behalf of one or more businesses, without limitation.

**R&D – Home Page**

Upon entering the user credentials, the user is presented a message stating the application due date and to select one of the options in a menu on the left side of the page.

*Welcome to Research and Development Tax Credit Application.*

*Your application for this year is due on September 16, 2019.*

*Please select one of the options from the left menu.*

Upon entering the user credentials, the user must select File Application under the R&D Application menu.

The next screen prompt will require the applicant to acknowledge that the business has at least two years of expenditures prior to application for the R&D tax credit.
Electronic Submission of a Research and Development Tax Credit Application

Taxpayers and tax practitioners now have the ability to electronically submit Research and Development Tax Credit applications through this website. Applicants will be able to submit, receive a confirmation number and check the status of their application at any time. This new process will save time and money.

You must have at least two years of expenditures in order to apply for the R&D tax credit.

To continue with the application filing, select

- All fields with an asterisk *, must be completed within the application.
- When navigating between fields, use the tab key on keyboard to continue to next field. Pressing enter on the keyboard will save your application and take you to main page.

Terms and Conditions

All users will be required to agree with the Terms and Conditions of the Application.

<table>
<thead>
<tr>
<th>Research and Development Tax Credit Participation Terms and Conditions</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Terms and Conditions must be agreed upon before continuing.</td>
<td></td>
</tr>
</tbody>
</table>

For applicants applying for a R&D Tax Credit

- Taxpayers are required to be in compliance with all state tax reporting and payment requirements before participating in this program. ☐
- DOR can require additional information to verify and approve the application as well as the subsequent sale of a credit. ☐
- DOR requests for additional information will be made via certified U.S. mail and can involve an onsite audit. Failure to provide a timely response will result in the denial of the application. ☐
- The mailing address provided on page 1 can be used to request additional information. If this address is not the physical address where records can be made available for review, you must provide the physical address. ☐

For applicants applying to sell all or a portion of a R&D Tax Credit subsequent to award

- Taxpayers are required to be in compliance with all state tax reporting and payment requirements before approval of sale is granted. ☐
- Upon receiving a request for approval to sell a credit, the Department may require additional information and conduct an on-site review at the physical address of records provided with the application. Failure to provide a timely response to such requests for information will result in a denial of the request to approve the sale of the credit. ☐
- The sale of a credit is a taxable transaction for income tax purposes and the Department provides information on taxable transactions to the IRS. ☐
- When information is incomplete or other inconsistencies are noted, the department will correspond to obtain additional information. ☐

Applicants must read all statements and check all boxes before continuing to the following page.
Identification of Qualified Business

The next set of screen prompts requires applicants to identify information about the business, as it pertains to tax records.

Select entity type from drop-down box, then

Information in this section may automatically populate using data from the Department of Revenue.

It is the responsibility of the applicant to ensure the information is accurate.
R&D Expenditures by Location

The R&D Expenditures by Location section requires applicants to identify specific detailed information on the expenditures. There are four parts to this area within the application. Applicants must make at least one entry for each part. If additional information needs to be entered, select “add additional” to add other information.

Part I: Listing of Expenditures by Physical Location

Enter information regarding:

- PA Location & Project Name
- PA-Qualified Expenditure
- PA Expenditure Located in KOZ (If applicable)
- Total Expenditure
- Direct Wages (If a business)
- 3rd Party/Subcontracted Labor (If applicable)

<table>
<thead>
<tr>
<th>Part I: Listing of Expenditures by Physical Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA Location &amp; Project Name</td>
</tr>
<tr>
<td>PA-Qualified Expenditure</td>
</tr>
<tr>
<td>PA Expenditure Located in KOZ*</td>
</tr>
<tr>
<td>Total Expenditure</td>
</tr>
<tr>
<td>Direct Wages</td>
</tr>
<tr>
<td>3rd Party/Subcontracted Labor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>PA Location &amp; Project Name</th>
<th>PA-Qualified Expenditure</th>
<th>PA Expenditure Located in KOZ*</th>
<th>Total Expenditure</th>
<th>Direct Wages</th>
<th>3rd Party/Subcontracted Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Erie, PA: Bio-food</td>
<td>1,000,000.00</td>
<td>0.00</td>
<td>1,000,000.00</td>
<td>650,000.00</td>
<td>100,000.00</td>
</tr>
</tbody>
</table>

Part IA: For PA withholding purposes, Entity for which Direct Wages are reported

Enter information that describes:

- Whether the direct wages information is being reported under another entity
- Federal EIN
- Federal ID Type

<table>
<thead>
<tr>
<th>Part IA: For PA withholding purposes, Entity for which Direct Wages are Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the Direct Wages information being reported under another entity?*</td>
</tr>
<tr>
<td>Federal ID</td>
</tr>
<tr>
<td>Federal ID Type</td>
</tr>
</tbody>
</table>

If yes, please enter the Federal ID information for which the wages are being reported.
Part II: Description of Project and Physical Location Address

Enter information that describes:

- How the project qualifies under §§ 41(b) and (d) of the Internal Revenue Code
- Address
- City
- Zip

### Part II: Description of Project and Physical Location Address

<table>
<thead>
<tr>
<th>IRC 41*</th>
<th>Address Line 1*</th>
<th>Address Line 2*</th>
<th>City*</th>
<th>ZIP Code*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>123 Market St.</td>
<td></td>
<td>Erie</td>
<td>16501</td>
</tr>
</tbody>
</table>

Part III: Listing of 3rd Party/Subcontractor Labor Costs

Enter information that lists:

- Amount of labor cost
- Subcontractor/Employer Name
- Subcontractor/Employer EIN
- Contact Phone Number
- Whether a 1099-MISC/W-2 was issued

### Part III: Listing of 3rd Party/Subcontractor Labor Costs

<table>
<thead>
<tr>
<th>Amount</th>
<th>Subcontractor/Employer Name</th>
<th>Sub./Emp. EIN</th>
<th>Contact Phone Number</th>
<th>Was a 1099-MISC/W-2 Issued?</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000.00</td>
<td>Bioresearch, LLC</td>
<td>123456789</td>
<td>814-111-1111</td>
<td>Yes</td>
</tr>
<tr>
<td>100,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Costs (Should equal Total 3rd Party/Subcontracted Labor)

Once you enter all information, press **Continue** to proceed to the next page.

**Prior Years’ Expenditures**

Applicants must enter prior years’ Pennsylvania R&D Expenditures on this page. Enter tax years from most recent to oldest.

<table>
<thead>
<tr>
<th>Tax Year Beginning</th>
<th>Tax Year Ending</th>
<th>Actual</th>
<th>Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>(MM/DD/YYYY)</td>
<td>(MM/DD/YYYY)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A*</td>
<td>10/01/2015</td>
<td>09/30/2016</td>
<td>1,824,408.00</td>
</tr>
<tr>
<td>B</td>
<td>10/01/2014</td>
<td>09/30/2015</td>
<td>1,625,914.00</td>
</tr>
<tr>
<td>C</td>
<td>10/01/2013</td>
<td>06/30/2014</td>
<td>1,708,509.00</td>
</tr>
<tr>
<td>D</td>
<td>10/01/2012</td>
<td>09/30/2013</td>
<td>1,477,039.00</td>
</tr>
</tbody>
</table>

Press **Continue** once all information has been entered.
Credit Calculation Page

This page will use information from the previous pages to calculate the tentative PA R&D Credit.

Confirm whether all information is valid and correct. Press once verified.

Signature and Verification

The Signature and Verification page must include information on the Entity officer authorizing the application to be completed and the preparer to continue with the application.

Enter information in all fields with *, then press Continue.
Ownership Information for Compliance Check

All entities submitting an application under the program will be checked for entity compliance and ownership compliance. The information found within this section requires all persons or businesses with a 20% or greater ownership in the entity applying for the credit to be listed on the application.

Enter information in all fields with * for each shareholder, then press Continue. If no shareholders, press .

Note: The term “shareholder” on the application within this section, refers to any owner, member or partner with a 20% or greater ownership interest in the business.

Notification of Non-Compliance

Applications identified by the Department of Revenue as non-compliant will be ineligible for the credit, unless the applicant resolves the non-compliant issues in the determination period set by the Department of Revenue.
R&D Application Summary

All information submitted within the application will be displayed in the summary. Applicants are required to review the information prior to final submission of the application to the Department.

Verify all information is correct, then press Submit.
Post Electronic Application Submission Information Requirement

After submitting the electronic portion of the application, users will receive a confirmation number. This number must be included on any fax submission of the following documents:

1. A copy of Federal Form 6765 or a pro forma copy of Federal Form 6765 for each year listed with expenditures.
2. A completed Page 2 of REV-545A for each year listed with expenditures.
   - The 545A must be electronically submitted from the application menu bar.
3. A written explanation of the difference between this year’s expenditures and prior filings of REV-545, if applicable.
4. If filing as a small business, include a copy of the balance sheet showing total assets less than $5 million at the beginning or end of the year.

Applicants must fax the additional information by September 16 to 717-787-4683 to avoid a delay or denial of application. You must provide the confirmation number provided above when faxing documents.
**Application Status and Notifications**

It is the applicant’s responsibility to monitor the status of their application on a regular basis, and to follow up with Revenue on any action items.

To monitor the status of an application, the applicant must go to the R&D Login page and use the same USER ID and PASSWORD, as for the submission of the application. Upon entering the user credentials, the user must select View Application under the R&D Application menu.

The Department of Revenue will notify applicants if there is a problem with the application. Users are also advised to periodically check the status of the application online for notifications and action items requiring further information. Please note the following application statuses:

- **Received**: Your application has been received by the Department, but the review has not been completed yet.
- **Pending**: The application is under review and additional information is required.
- **Awaiting Final Compliance Review**: Initial review completed, application is now awaiting final compliance review.
- **Completed Final Compliance Review**: Compliance review completed.
- **Credit Awarded**: distribution complete, credit award letter mailed out.

**Incomplete and Amended Applications**

Incomplete applications will not be processed by the Department of Revenue for tax credits. Users that elected to use the “save and continue later” option within the application are responsible to complete the application to obtain a confirmation number.

To access Incomplete Applications, the applicant must go to the R&D Login page and use the same USER ID and PASSWORD, as for the submission of the application.

Upon entering the user credentials, the user must select Incomplete Applications under the R&D Application menu.

Users requesting to Amend Applications must have a legitimate reason to amend the application and obtain permission from the Department to authorize this feature within the electronic database. Users are required to contact the Department at 717-705-6225, option 5, and then option 2.