

# Federal and State of California Research and Development Tax Credits

R&D tax credits are available to eligible SCV businesses at both the federal and state levels. Most companies are engaged in efforts to improve products and processes as part of their day-to-day operations and the IRS defines these activities as R&D. The IRS recognizes that many of these changes are evolutionary rather than revolutionary in nature. Therefore, it is not necessary for the improvements to be significant enough to be patentable. Eligible firms are encouraged to precisely identify and track patents and inventions, as well as new or improved products, processes, techniques, formulas or computer software (collectively referred to as “business components”) considered to be eligible. Below are a few questions that may help SCV firms understand whether they qualify for R&D tax credits.

- Does the project or activity rely on any form of physical or biological sciences, engineering, or computer science, etc.?
- Are you trying to make improvements to your products or processes?
- At the outset of the project, was there any uncertainty in regards to your development?
- Did you have to test your results or develop prototypes?

