



# KBKG R&D UPDATE: CHANGES AND EXTENSION OF THE VIRGINIA R&D TAX CREDIT

The Commonwealth of Virginia made key changes and extended the income tax credit for conducting qualified research and development in Virginia.

## KEY CHANGES INCLUDE:

- A three (3) year extension of the credit from tax years beginning before January 1, 2022 to tax years beginning before January 1, 2025
- Beginning January 1, 2021, an increase in the annual research and development credit cap from \$7 million to \$7.7 million
- Beginning January 1, 2021, an increase in the major research and development credit cap from \$20 million to \$24 million
- A change in the application deadline from July 1<sup>st</sup> to September 1<sup>st</sup> of the year following the credit year

## KBKG SERVICES

- Research & Development Tax Credit
- Cost Segregation
- Repair vs. Capitalization Review
- Fixed Asset Review
- 45L Credits for Energy Efficient Residential Developments
- 179D Incentive for Energy Efficient Commercial Buildings
- IC-DISC
- Transfer Pricing

If a taxpayer has more than \$5 million in qualified expenses, they may apply for the *major research and development tax credit*, if less than \$5 million, taxpayer is eligible for the *research and development tax credit*.

To apply for this credit, complete Form RDC and fax it to (804) 774-3902 or send it to the Virginia taxing authority at:

Department of Taxation  
ATTN: Tax Credit Unit  
P.O. Box 715  
Richmond, VA 23218-0715

The Tax Credit Unit must certify the credit before you can claim it on your tax return. The Tax Credit Unit will send you a letter to certify your credit and amount.

A partnership, limited liability company, or electing small business corporation (S corporation) may elect to receive and claim the credit at the entity level. If this election is not made, credits must be allocated to the individual partners, members, or shareholders in proportion to their ownership interests in such entities or in accordance with a written agreement entered by such individual partners, members, or shareholders. In order to allocate the credit to the partners, shareholders, or members, each pass-through entity must file Form PTE with the Department within 30 days after the credit is granted. This information may be faxed to (804) 774-3902 or sent to:

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P.O. Box 715  
Richmond, VA 23218-0715

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*Contact KBKG's R&D specialists to see if you may qualify for the R&D tax credit.*

