

## Base Calculation

If an applicant does not have prior year expenses in Louisiana no base calculation will be needed. The calculation will be based solely on the current year R&D expenses. The base calculation will be based on the average of previous tax years. The calculation will be adjusted in the event there are no previous expenses in a prior year.

### For example:

#### No Previous Years

A company with less than 50 employees incurred \$210,000 in tax year 2019 and had no prior year R&D expenditures. There would be no base year. The calculation would be 30% of current years expenditures.

$\$210,000 \times 30\%$ , the 2019 R&D tax credit would be \$63,000 – OR –

#### 1 Previous Year

A company with less than 50 employees incurred \$210,000 in tax year 2019 and had \$100,00 R&D expenditures in tax year 2018.

The base calculation would be prior year times the appropriate percentage ( $\$100,000 \times 50\%$ ) which would be \$50,000. In order to calculate the incremental increase in expenditures the base calculation is subtracted from the current year. The R&D tax credit is 30% of the incremental increase.

$$\begin{aligned} \$100,000 \times 50\% &= \$50,000 \text{ base calculation} \\ \$210,000 - \$50,000 &= \$160,000 \text{ incremental increase} \\ \$160,000 \times 30\% &= \$48,000 \text{ 2019 R\&D tax credit} \end{aligned}$$

#### 2 Previous Years

A company with less than 50 employees incurred \$210,000 in tax year 2019 and had \$100,00 R&D expenditures in tax year 2018 and \$150,000 in tax year 2017.

The base calculation would be the average of the prior year's times the appropriate percentage ( $(\$100,000 + 150,000/2) \times 50\%$ ) which would be \$62,500. In order to calculate the incremental increase in expenditures the base calculation is subtracted from the current year. The R&D tax credit is 30% of the incremental increase.

$$\begin{aligned} (\$100,000 + 150,000/2) \times 50\% &= \$62,500 \text{ base calculation} \\ \$210,000 - \$62,500 &= \$147,500 \text{ incremental increase} \\ \$147,500 \times 30\% &= \$44,250 \text{ 2019 R\&D tax credit} \end{aligned}$$

3 previous years applies the same rationale with using the average of the 3 prior years

The base calculation and credit percentages will vary based on the size of the company.

Please see **Appendix A** of the R&D application for more information