

## Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business

For Income Year Beginning: \_\_\_\_\_, 2019 and Ending: \_\_\_\_\_.

Company name	Connecticut Tax Registration Number
Designated Taxable Member name (Form CT-1120CU filers only)	Connecticut Tax Registration Number

Complete this form in blue or black ink only. Do not use staples.  
Please note that each form is year specific. The correct year's form **must** be used.

Use **Form CT-1120 XCH** to exchange with the State of Connecticut any tax credit under Conn. Gen. Stat. §§ 12-217j or 12-217n for a credit refund equal to 65% of the value of the credit. A taxpayer may receive a credit refund of not more than \$1.5 million in any one income year. See Conn. Gen. Stat. § 12-217ee.

File Form CT-1120 XCH separately from **Form CT-1120**, *Corporation Business Tax Return*, or **Form CT-1120CU**, *Combined Unitary Corporation Business Tax Return*.

Attach **Form CT-1120RC**, *Research and Experimental Expenditures Tax Credit*, or **Form CT-1120 RDC**, *Research and Development Expenditures Tax Credit*, and all required supporting schedules and documentation to Form CT-1120 XCH.

At the same time as filing Form CT-1120 or Form CT-1120CU, mail the completed application and supporting information separately to:

Department of Revenue Services  
Corporation Tax Audit Unit Attn: XCH  
450 Columbus Blvd Ste 1  
Hartford CT 06103-1837

Check the box at the top of Form CT-1120 or Form CT-1120CU to indicate that you are exchanging research and development tax credits and enter the amount of credit refund requested.

### Eligibility

In order to be eligible for a credit refund, a taxpayer must have no Corporation Business Tax liability. For purposes of this credit refund, payment of a capital base tax under Conn. Gen. Stat. § 12-219 in a year that the taxpayer reports no net income as defined in Conn. Gen. Stat. § 12-213, or payment of the \$250 minimum tax under Conn. Gen. Stat. § 12-219, shall not be considered a liability.

A company included in a combined group that files as part of Form CT-1120CU must separately determine if it is eligible to exchange credits.

This includes a separate determination as to whether the company claiming the credit refund has no tax liability for purposes of the eligibility requirements of this credit exchange. If other requirements are satisfied, a company that files as part of a combined group is eligible to exchange credits if the group pays tax on the capital base and:

- The company's apportioned amount of the combined group's net income is zero or negative, regardless of its portion of the capital base; **or**
- The company's portion of the capital base tax is equal to \$250.

### Definitions

**Qualified Small Business** for the purposes of the tax credit exchange means a company that has gross income for the previous income year that does not exceed \$70 million and has not met this test through transactions with a related person.

**Gross Income** means gross income as defined by the Internal Revenue Code including any interest or exempt interest dividends, but not including dividends received by a domestic United States corporation from a foreign corporation on account of foreign taxes deemed paid when the domestic corporation elects the foreign tax credit or dividends received directly or indirectly from a passive investment company.

**Related Person** means a corporation, partnership, association, or trust controlled by the corporation; an individual, corporation, partnership, association, or trust that is in control of the corporation; a corporation, partnership, association, or trust controlled by an individual, corporation, partnership, association, or trust that is in control of the corporation; or a member of the same controlled group as the corporation.

### Additional Information

Contact the Department of Revenue Services (DRS) at **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) or **860-297-5962** (from anywhere).

Part I - Eligibility Criteria			
1.	Does the company report no net income or pay the \$250 minimum tax on <b>Form CT-1120</b> , <i>Schedule C</i> , Line 1a, or on the credit claimant's column on Form CT-1120CU, Part II, Line 1? If <b>Yes</b> , the company may be eligible to obtain a tax credit refund.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.	Did the company engage in transactions with related persons during the 2019 income year? If <b>Yes</b> , identify the related persons, their gross incomes, their relationship to the company, and provide an organizational chart of related persons in which the company is a member. Also attach a separate schedule describing each of the company's transactions with these related persons during the 2019 income year, the gross income of the company derived from each of these transactions, and the dates of these transactions.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3.	Enter the total gross income of the company for the previous income year from all sources, including the total gross income of the company derived from transactions with related persons, as noted above.  The gross income of the company should be annualized if this application is for a short period. If the total gross income of the company for the previous income year exceeds \$70 million, the company is <b>not eligible</b> for an exchange of tax credits. Do <b>not</b> check the applicable box on Form CT-1120 or Form CT-1120CU.	\$ _____ .00	
4.	Does the company or its combined unitary group, on the date of this application, have any taxes due and unpaid to the State of Connecticut including interest, penalties, fees, and other related charges? If <b>Yes</b> , attach a schedule that describes the nature and amounts of any unpaid taxes.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Part II - Computation of Exchange Amount**

1a.	Enter the amount of 2019 Research and Experimental Expenditures Tax Credit from 2019 <b>Form CT-1120RC</b> , Part I, Line 4.	1a.		
1b.	Enter the amount of 2019 Research and Experimental Expenditures Tax Credit applied from 2019 Form CT-1120RC, Part II, Line 17, Column D.	1b.		
1.	Enter the amount of 2019 Research and Experimental Expenditures Tax Credit available for exchange. Subtract Line 1b from Line 1a.		1.	
2a.	Enter the amount of 2019 Research and Development Tax Credit from 2019 <b>Form CT-1120 RDC</b> , Part II, Line 2.	2a.		
2b.	Enter the amount of 2019 Research and Development Tax Credit applied from 2019 Form CT-1120 RDC, Part III, Line 24, Column D.	2b.		
2.	Enter the amount of 2019 Research and Development Tax Credit available for exchange. Subtract Line 2b from Line 2a.		2.	
3.	Add Line 1 and Line 2.		3.	
4.	<b>Total credit refund requested:</b> Multiply amount on Line 3 by 65% (.65). <b>Do not exceed \$1.5 million.</b>		4.	

**Part III - Required Attachments**

In addition to Form CT-1120RC, Form CT-1120 RDC, or both if applicable, attach detailed schedules supporting the claimed research expenditures. The detailed schedules must include:

- A full and complete description of the nature of the research projects conducted by the company during the income year and the location(s) where the research is conducted;
- A full and complete description of the methods used to obtain: (a) the amount spent directly on research and experimental expenditures conducted in Connecticut, in accordance with Conn. Gen. Stat. § 12-217j; and (b) the total expenditures and payments for research and experimentation, and basic research conducted in Connecticut, in accordance with Conn. Gen. Stat. § 12-217n;
- A detailed description of each source of information used to compute the credit, including the methods and calculations of expense allocation, if any; **and**
- The job title and detailed job description of each employee whose wages are included in the research expenditures.

**Contact Person**

Name		Telephone number	
		— —	
Title			
Address (number and street)		PO Box	
City or town	State	Zip code	