



Research and Development Incentives

The Research and Development incentives are intended to provide incentives for university-based research, in-house research, and research and development in start-up, technology-based enterprises.

1. University Based Research and Development

An eligible business that contracts with one or more Arkansas colleges or universities in performing research may qualify for a 33% income tax credit for qualified research expenditures.

2. In-House Research and Development

New and existing businesses that conduct “in-house” research within a research facility that is operated by the eligible business may qualify for in-house research income tax credits.

The credit allowed for approved in-house research is twenty percent (20%) of qualified expenditures that exceed the base year, for a period of three (3) years and the incremental increase in qualified research expenditures for the succeeding two (2) years.

3. In-house Research - Targeted Business

Businesses deemed by the department to fit within the six business sectors classified as “targeted businesses” may enter into a financial incentive agreement for income tax credits based on qualified research and development expenditures.

An eligible business may be approved for an income tax credit each year equal to 33% of the qualified research and development expenditures incurred each year for the first five (5) years of the financial incentive agreement. This incentive is only offered at the discretion of the Director.

The targeted business applying for in-house research and development income tax credits shall comply with all of the qualifications required of targeted businesses:

- A. In operation for less than five years,
- B. Annual payroll of not less than \$100,000 or more than one million (\$1,000,000),
- C. An equity investment of at least \$400,000, and
- D. Pay average hourly wages in excess of one hundred fifty percent (150%) of the county or state average wage, whichever is less.

As with the job creation income tax credits for targeted businesses, the income tax credit for research and development earned by targeted businesses may be sold upon approval by the Department.

4. Research and Development in Area of Strategic Value

The Strategic Value Research and Development incentives are for qualifying businesses that invest in: 1) in-house research in an area of strategic value or 2) a research and development project offered by the Arkansas Science and Technology Authority. Research in an area of strategic value means research in fields having long-term economic or commercial value to the state, and that have been identified in the research and development plan approved from time to time by the Board of Directors of the Arkansas Science and Technology Authority.

The income tax credit is equal to 33% of qualified research expenditures. The maximum tax credit that may be claimed by a taxpayer under this program is \$50,000 per tax year. Any unused credit may be carried forward for nine (9) years beyond the tax year in which it was earned.