

**PENNSYLVANIA
 RESEARCH AND DEVELOPMENT
 TAX CREDIT
 2006 APPLICATION**



ENTITY INFORMATION - (PLEASE PRINT OR TYPE)	Account ID (Box Number/SSN)	Entity ID (EIN)
Entity Name	DUE DATE: September 15, 2006 Department Use Only POST MARK DATE:	
Street Address		
City or Town, State, and ZIP Code		
SEE INSTRUCTIONS ON REVERSE SIDE BEFORE COMPLETING		

CHECK BOX IF A "SMALL BUSINESS"
 IF CLAIM IS AS A "SMALL BUSINESS" WITH TOTAL ASSETS OF LESS THAN \$5,000,000 AT THE BEGINNING OR END OF THE YEAR SUBMIT A BALANCE SHEET REFLECTING TOTAL ASSETS.
ENTER ENTITY TYPE (SEE INSTRUCTIONS ON BACK) _____ KOZ - (SEE INSTRUCTIONS ON BACK)

COMPUTATION OF CREDIT

1. Pennsylvania qualified Research & Development Expenditures:

Tax Year Beginning MM/DD/YYYY ____/____/____	Tax Year Ending MM/DD/YYYY ____/____/____	Actual \$ _____	Use Whole Dollars Annualized
			1. \$ _____
2. 50% of Line (1)			2. \$ _____

3. Prior years' Pennsylvania Research & Development Expenditures:

Tax Year Beginning MM/DD/YYYY ____/____/____	Tax Year Ending MM/DD/YYYY ____/____/____	Actual \$ _____	Annualized
			3A. \$ _____
			3B. \$ _____
			3C. \$ _____
			3D. \$ _____

4. Total of prior years' **Annualized** Pennsylvania Research & Development Expenditures
 (Sum of Annualized 3A, 3B, 3C, & 3D)4. \$ _____

5. Average of prior years' Pennsylvania Research & Development Expenditures
 (Line (4) divided by number of base years in Line (3) with R&D Expenditures)5. \$ _____

6. Line (1) Annualized minus the greater of Line (2) or Line (5)6. \$ _____

7. Tentative Pennsylvania Research & Development Credit (Line (6) x 10%)7. \$ _____

SIGNATURE AND VERIFICATION

Under penalties of perjury, I declare that I have examined this return, including any accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. THIS FORM MUST BE SIGNED BY A CORPORATE OFFICER.

SIGNATURE OF OFFICER OF COMPANY	TITLE	DATE
PRINT OFFICER'S NAME	TELEPHONE NUMBER ()	E-MAIL ADDRESS
NAME OF PREPARER	PREPARER'S ADDRESS	
TELEPHONE NUMBER ()	PREPARER'S EIN OR SSN	DATE
	CITY	STATE
		ZIP CODE

PENNSYLVANIA RESEARCH AND DEVELOPMENT TAX CREDIT APPLICATION INSTRUCTIONS

PER ACT 7 of 1997 and ACT 46 of 2003

To claim the PA Research and Development (R&D) Tax Credit, it is necessary for a taxpayer to have qualified Pennsylvania R&D expenses in the current tax year (Line 1) and in at least one preceding tax year (Line 3). **NOTE: If PA R&D expenditures were incurred in a KOZ zone, the taxpayer is not entitled to an R&D credit. If the PA R&D expenditures were not incurred in a KOZ zone, the taxpayer must include a statement to that effect in order to be considered for the credit.**

For purposes of the PA R&D Tax Credit, a taxpayer is an entity subject to PA Personal Income Tax, PA Corporate Net Income Tax or PA Capital Stock/Franchise Tax. The term taxpayer also includes the shareholder of a PA S corporation that receives a PA R&D Tax Credit. The PA R&D Tax Credit applicable to a partnership may be claimed by each partner on a pass-through basis with each partner (taxpayer) computing the credit on a pro-rata basis.

PA qualified R&D expenses are qualified research expenses as defined in Section 41 (B) of the Internal Revenue Code of 1986, incurred for PA qualified research and development conducted within the Commonwealth of Pennsylvania.

A taxpayer must apply for the PA R&D Tax Credit by September 15 for PA R&D expenses incurred in the taxable year that ended in the prior calendar year. Thus, an application for PA R&D Tax Credit must be submitted by September 15, 2006 for all PA R&D expenses incurred in the tax year ending in 2005. Fifty two/fifty three-week filers whose year ends in the first week of January will be considered to be calendar year (12-31) filers.

The Department will notify all taxpayers by December 15 in the year in which an application is submitted, of the approved amount of PA R&D Tax Credit. The taxpayer may apply the approved credit against their PA Personal Income Tax, PA Corporate Net Income Tax, or PA Capital Stock/Franchise Tax for the current taxable year (the tax year in which the credit is approved). The amount of credit applied to any tax liability cannot exceed 50 percent of such liability for that taxable year (the 50 percent limitation is eliminated for tax years beginning in 2005 and after). Any unused credit may be carried over to no more than the 15 succeeding taxable years. A taxpayer is not entitled to carry back, to obtain a refund of, or to assign unused PA R&D tax Credits (for awards made Dec. 15, 2002 and prior).

Effective for awards made Dec. 15, 2003 and after, the taxpayer can apply to the PA Department of Community and Economic Development (DCED) to sell or assign a PA R&D credit if there has been no claim of allowance filed within one year from the date that the Department of Revenue approved the credit. Contact DCED at 400 North St., 4th Fl., Keystone Building, Harrisburg PA 17120-0225; telephone 717-787-7120 or 1-800-379-7448; Web site www.inventpa.com. The purchaser or assignee must use the credit in the taxable year in which the purchase or assignment is made and the credit cannot exceed 75 percent of the tax liability for the taxable year. The purchaser or assignee may not carry over, carry forward, carry back or obtain a refund of the credit.

Effective for awards made Dec. 15, 2006 and after, pass-through entities include limited liability companies and partnerships, thus the credit can be transferred (passed-through) in writing to shareholders, members or partners in their proportionate share. The shareholder, member or partner must use the credit in the taxable year in which the transfer is made. R&D credits cannot be used against Employer Withholding Taxes.

If any tax years on Line 1 or Lines 3A, 3B, 3C or 3D of the application form represents a period of less than a full year, (other than for full year 52/53 week filers), the amount(s) of PA R&D expenses must be annualized.

Example: Tax year beginning 01-01-03 and ending 07-31-03

Annualized amount = $1,000,000 \times \frac{365}{212} = 1,721,698$

*Use 366 for periods that include February 29.

If the taxpayer has two or more consecutive short periods that equal one full tax year, the short periods shall be combined as a single tax year on line three of the application.

PLEASE NOTE: ATTACH ALL ADDITIONAL INFORMATION USED TO DETERMINE THE CREDIT SUCH AS, FEDERAL FORM 6765, BALANCE SHEETS FOR A "SMALL BUSINESS" AND ANY APPLICABLE PARTNERSHIP INFORMATION (PERCENTAGE OWNED, ETC.).

ENTITY TYPE: Complete the Entity Type on the front of this form by selecting one of the following categories:

Individual, LLC, LLP, S Corporation, C Corporation, Sole Proprietorship

Please check our Web site and future editions of the Pennsylvania Tax Update for any changes that may affect this program.

Send completed applications (including signature) to:

Bureau of Corporation Taxes
Taxing Division - R&D Unit
PO Box 280703
Harrisburg, PA 17128-0703