

Credit for Increasing Research Activities

(or for claiming the orphan drug credit)

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to your return.

Name(s) as shown on return	Identifying number
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Part I Current Year Orphan Drug Credit

1 Qualified clinical testing expenses paid or incurred (do not include any amounts claimed as current year research expenses on line 18 below)	1				
2 Current year credit. Multiply line 1 by 50% (.50) (see instructions)				2	
3 Flow-through orphan drug credit(s) from a partnership, S corporation, estate, or trust				3	
4 Total current year orphan drug credit. Add lines 2 and 3				4	

Part II Tax Liability Limitation for the Orphan Drug and Research Credits

5a Individuals. Enter amount from Form 1040, line 40.					
b Corporations. Enter amount from Form 1120, Schedule J, line 3 (Form 1120-A filers claiming the research credit, enter amount from Form 1120-A, Part I, line 1)					
c Other filers. Enter regular tax before credits from your return					
6 Credits that reduce regular tax before the orphan drug credit:					
a Credit for child and dependent care expenses (Form 2441, line 10)	6a				
b Credit for the elderly or the disabled (Schedule R (Form 1040), line 21)	6b				
c Mortgage interest credit (Form 8396, line 11)	6c				
d Foreign tax credit (Form 1116, line 32, or Form 1118, Sch. B, line 12)	6d				
e Possessions tax credit (Form 5735, line 14)	6e				
f Add lines 6a through 6e				6f	
7 Net regular tax. Subtract line 6f from line 5				7	
8 Tentative minimum tax (see instructions):					
a Individuals. Enter amount from Form 6251, line 26.					
b Corporations. Enter amount from Form 4626, line 14.					
c Estates and trusts. Enter amount from Form 1041, Schedule H, line 37.					
9 Excess of net regular tax over tentative minimum tax. Subtract line 8 from line 7				9	
10 Orphan drug credit allowed for the current year. Enter here and on the appropriate line of your return the smaller of line 4 or line 9				10	

Part III Current Year Credit for Increasing Research Activities

11 Basic research payments paid or incurred to qualified organizations					
12 Base period amount				12	
13 Subtract line 12 from line 11. If less than zero, enter -0-				13	
Qualified research expenses paid or incurred (lines 14-17):					
14 Wages for qualified services (do not include wages used in figuring the jobs credit)				14	
15 Cost of supplies				15	
16 Rental or lease costs of computers				16	
17 Enter 65% (.65) of contract research expenses				17	
18 Total qualified research expenses. Add lines 14 through 17				18	
19 Enter fixed-base percentage, but not more than 16% (see instructions)				19	%
20 Enter average annual gross receipts (see instructions)				20	
21 Base amount. Multiply line 20 by the percentage on line 19				21	
22 Subtract line 21 from line 18				22	
23 Multiply line 18 by 50% (.50)				23	
24 Enter the smaller of line 22 or 23				24	
25 Add lines 13 and 24				25	
26 Current year credit. Multiply line 25 by 20% (.20). If you do not elect the reduced credit under section 280C(c), enter the result and see the instructions for the schedule that must be attached. Note: If you elect the reduced credit, multiply line 25 by 13% (.13) and enter that amount instead. Also write "Sec. 280C" in the margin to the right of the entry space.				26	
27 Flow-through research credit(s) from a partnership, S corporation, estate, or trust				27	
28 Total current year credit for increasing research activities. Add lines 26 and 27. Enter here and see Claiming the Credit on page 2 to see if you have to complete Part IV or file Form 3800				28	

Part IV Tax Liability Limitation for the Research Credit

29	Net regular tax for research credit:			
a	Net regular tax from line 7		29a	
b	Orphan drug credit from line 10	29b		
c	Credit for fuel from nonconventional source	29c		
d	Qualified electric vehicle credit (Form 8834, line 17)	29d		
e	Add lines 29b through 29d		29e	
f	Net regular tax. Subtract line 29e from 29a		29f	
30	Net income tax:			
a	Individuals. Add line 29f above and line 28 of Form 6251	}	30	
b	Corporations. Add line 29f above and line 16 of Form 4626			
c	Estates and trusts. Add line 29f above and line 39 of Form 1041, Schedule H			
31	If line 29f is more than \$25,000, enter 25% (.25) of the excess (see instructions)		31	
32	Subtract line 8 or line 31, whichever is greater, from line 30. If less than zero, enter -0-		32	
33	Corporations. Enter here and on the appropriate line of your return the smaller of line 28 or line 32. This is your General Business Credit for 1993		33	
34	Individuals, estates, and trusts. Enter here and on the appropriate line of your return the smaller of line 28 or the amount from the formula in the instructions for line 34 (but do not enter more than line 32). This is your General Business Credit for 1993		34	

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 8 hr., 51 min.
- Learning about the law or the form** 53 min.
- Preparing and sending the form to the IRS** 1 hr., 5 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and

the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Claiming the Credit

The research credit shown on line 28 is one of the credits that make up the general business credit.

The general business credit includes the investment credit (Form 3468), jobs credit (Form 5884), credit for alcohol used as fuel (Form 6478), research credit (Form 6765), low-income housing credit (Form 8586), enhanced oil recovery credit (Form 8830), disabled access credit (Form 8826), and renewable electricity production credit (Form 8835). The Revenue Reconciliation Act of 1993 added the following new credits to the general business credit: empowerment zone employment credit (Form 8844), Indian

employment credit (Form 8845), credit for employer social security taxes paid on certain employee cash tips (Form 8846), and credit for contributions to certain community development corporations (Form 8847). Generally, the new credits are allowed for expenditures incurred after December 31, 1993. See the new credit forms and **Form 3800**, General Business Credit, for other details.

If you have more than one general business credit for 1993, a carryback or carryforward of any of these credits, or a research credit from a passive activity, file Form 3800. Use it instead of Part IV to figure the tax liability limitation.

If you have only a 1993 research credit and the credit is not from a passive activity, complete Part IV above. You do not have to file Form 3800 for this year.