



## Summary of Utah's R&D Tax Credit for Businesses by Prime Tax Group

### Executive Summary

Utah's Research & Development (R&D) tax credit offers a compelling, long-term incentive for innovation-driven companies. While it remains **nonrefundable**, it provides powerful benefits through carryforward provisions and high flexible credit calculations. For businesses with a strategic focus on technology, software, and product development, Utah's R&D credit delivers real value—unlocking funds that can be reinvested in growth, talent, and market expansion.

### Structural Overview: How Utah's Credit Works

Utah's R&D credit closely mirrors federal IRC §41 definitions with local adaptations:

- **Credit structure** includes:
  - **7.5%** of current-year qualified research expenditures (QREs)
  - **5%** of incremental QREs above a base amount
  - **5%** of incremental payments made to qualified organizations for basic research
- **Carryforward rules:**
  - 14-year carryforward for the **5% incremental** portions
  - No carryforward allowed for the **7.5% current-year portion**
- **Nonrefundable but strategic:**
  - Credit reduces Utah state tax to zero; any excess **can be carried forward**, preserving future value
- **Filing requirements:**
  - File via Form TC-40A alongside income/franchise tax return
  - Maintain robust documentation of QREs and base calculations

### Why Utah's Credit Is a Powerful Business Tool

- **Strategic Cash Conversion**
  - Even without refundability, the nonrefundable credit converts future tax liability into tangible value—especially when supported by multi-year planning.



- **Flexible Calculation Methods**
  - Startups can leverage the straightforward 7.5% credit without historical bases, while established firms may tap higher carryforward benefits via the 5% incremental approach.
- **Extended Financial Planning**
  - With up to **14 years** to use the credit, companies can balance innovation cycles and revenue generation—smoothing out taxable income impact over time.
- **Scalable for Diverse Clients**
  - The blend of immediate and long-term credits makes it ideal for both young tech startups and mature R&D-heavy manufacturers or software firms.

### **Suggested Action Plan for Prospective Clients**

1. **Identify and document QREs** performed in Utah, including wages, supplies, and contractor research.
2. **Build forecast models** to project tax savings over 5-, 10-, and 14-year horizons.
3. **Ensure compliance rigor** by retaining source documentation aligned with Form TC-40A and Utah audit standards.
4. **Integrate incentives** into broader business strategy (e.g., forecasting, reinvestment, hiring timing).

### **Conclusion & Strategic Opportunity**

Utah's R&D tax credit is a high-impact incentive that rewards innovation with long-term value—even without immediate refundability. For a state with no expiration date and a generous 14-year carryforward window, this credit is a strategic lever. By helping clients claim it now, we position them to capitalize on cutting-edge development while fueling future growth.