

The Credit for Increasing Research Activities: Statistics from Tax Years 2004–2005

by Eurry Kim

The Economic Recovery Tax Act of 1981 furnished the groundwork for the current version of Form 6765, *Credit for Increasing Research Activities*. The 1981 credit was 25 percent of either the difference between current research spending and the average of the 3 prior years' spending on qualified research or half of current research spending, whichever was less. Now known as the Section A—Regular Credit, it is a 20-percent credit taken on marginal increases of research spending based on historical research spending and average sales relationships.

After substantive modifications to the credit calculation in 1990 and 1996, the method of figuring the credit generally remained uniform. The Omnibus Budget Reconciliation Act of 1989 integrated gross receipts as a factor in the tax credit calculation starting in Tax Year 1990. Rather than being based solely on amounts of historic research spending, research intensity (an expression of qualified research spending relative to gross receipts) became the new method by which one section of the tax credit was (and still continues to be) calculated. Then, starting in Tax Year 1996 through the current year, the Small Business Job Protection Act of 1996 introduced a credit based on a three-tiered percentage calculation. Dubbed the Section B—Alternative Incremental Credit, it is an opportunity for those taxpayers ineligible to claim the Section A—Regular Credit.

Although the Section B credit employs a several-layered process involving multiple rates, the Section A credit uses a measurement of base sensitivity. The base is calculated by multiplying the corporation's 4-year average annual gross receipts by its fixed base percentage. The fixed base percentage is an historical ratio of qualified research spending to gross receipts; it is restricted to a maximum of 16 percent. The base mimics what a corporation would spend if there were no credit. Line 14 on the 2004 revision of Form 6765 and line 15 on the 2005 revision of Form 6765 provide the junction between the two determinant categories of the base calculation. A corporation is said to have been subject to the excess base limitation when the excess between current research spend-

ing and spending based on an historically-established research intensity does not exceed 50 percent of current research spending. The excess base is a measure of a marginally increased investment in research and experimentation. Otherwise, a corporation is said to have been subject to the 50-percent limitation. A corporation is disqualified from taking the credit toward qualified research expenses if its base does not exceed 50 percent of its current research spending.

Summary Statistics—Tax Years 2001-2005

The tax credit information provided in the following figures and charts include only data provided by C corporations (i.e., excluding passthrough entities, such as S corporations, RICs, and REITs).

In Tax Year 2005, the number of claimants of the credit increased over 10 percent from the previous year. The credit amount claimed in Tax Year 2005 amounted to almost \$6.4 billion, an increase of 14.6 percent over the previous year (Figure A).

Figure A

Credit for Increasing Research Activities: Annual Percentage Increase or Decrease for Tax Years 2001-2005

Year	Number of credit claimants	Percentage change	Credits claimed (in millions of dollars)	Percentage change
	(1)	(2)	(3)	(4)
2001	10,389	-1.0%	6,356	-10.2%
2002	10,254	-1.3%	5,656	-11.0%
2003	10,369	1.1%	5,488	-3.0%
2004	10,244	-1.2%	5,554	1.2%
2005	11,290	10.2%	6,363	14.6%

Companies with business receipts ranging from \$10 million to less than \$50 million claimed the credit most frequently (Figure B). Over the years, the trend of the number of claimants across business receipt sizes stayed generally consistent. Corporations with business receipts ranging from \$10 million up to \$50 million maintained a consistent lead in the number of credits claimed. Additionally, the number of claimants exceeding \$250 million in business receipts mirrored the number of claimants in the range

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Figure B

Credit for Increasing Research Activities: Number of Credit Claimants, by Size of Business Receipts, Tax Years 2001-2005

Size of business receipts	Year				
	2001	2002	2003	2004	2005
	(1)	(2)	(3)	(4)	(5)
Total	10,389	10,254	10,369	10,244	11,290
Under \$25,000	1,576	1,019	1,231	1,313	1,595
\$25,000 under \$100,000	569	730	296	184	224
\$100,000 under \$250,000	355	247	378	391	346
\$250,000 under \$500,000	264	425	698	666	827
\$500,000 under \$1,000,000	352	503	465	497	585
\$1,000,000 under \$2,500,000	1,292	1,203	1,412	1,045	1,142
\$2,500,000 under \$5,000,000	1,066	1,391	1,150	1,081	998
\$5,000,000 under \$10,000,000	1,111	1,048	926	1,026	1,179
\$10,000,000 under \$50,000,000	1,857	1,777	1,806	1,884	2,047
\$50,000,000 under \$100,000,000	495	452	502	570	623
\$100,000,000 under \$250,000,000	493	492	492	515	535
\$250,000,000 or more	961	966	1,014	1,072	1,191

of the smaller \$10 million to \$50 million business receipts class.

The credit amounts, however, were largely distributed to companies with the largest business receipts, which exceeded \$250 million (Figure C). These companies claimed nearly 80 percent of the credits. For the most part, total credit amounts

claimed for any other class of business receipts did not exceed even 10 percent of the total credit amount claimed by corporations with the largest business receipts class.

Over 88 percent of the corporations claiming the \$6.4-billion credit used the Section A-Regular Credit method in Tax Year 2005. As previously mentioned,

Figure C

Credit for Increasing Research Activities: Claimed Credit Amounts, by Size of Business Receipts, Tax Years 2001-2005

[Money amounts are in thousands of dollars]

Size of business receipts	Year				
	2001	2002	2003	2004	2005
	(1)	(2)	(3)	(4)	(5)
Total	6,355,803	5,655,666	5,488,337	5,554,011	6,363,476
Under \$25,000	319,354	29,249	187,890	180,051	199,665
\$25,000 under \$100,000	28,687	30,196	21,410	21,261	19,753
\$100,000 under \$250,000	30,285	28,470	30,129	32,850	27,140
\$250,000 under \$500,000	38,322	143,945	41,936	35,878	31,664
\$500,000 under \$1,000,000	51,642	113,645	46,743	38,183	38,823
\$1,000,000 under \$2,500,000	99,313	231,153	77,527	74,758	71,645
\$2,500,000 under \$5,000,000	112,112	172,516	91,323	78,147	78,395
\$5,000,000 under \$10,000,000	125,600	166,937	98,273	116,197	114,133
\$10,000,000 under \$50,000,000	383,748	252,303	319,814	297,082	295,652
\$50,000,000 under \$100,000,000	147,900	259,455	163,752	140,212	152,216
\$100,000,000 under \$250,000,000	374,751	754,958	245,095	284,713	312,249
\$250,000,000 or more	4,644,089	3,472,840	4,164,445	4,254,680	5,022,141

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base sensitivity is a central measurement of the Section A–Regular Credit. From Tax Years 2001 to 2002, the percentage of C corporations subject to the Excess Base Limitation increased from 15.0 percent to 20.8 percent (Figure D). Smaller percentage increases occurred in subsequent tax years. The vast majority of Section A credit claimants, though, were subject to the 50-percent limitation and calculated their credits factoring in only half of their current research spending. This large share of corporations has nevertheless been waning over the years.

The bulk of credit claimants came from corporations involved in manufacturing (Figure E). Since Tax Year 2000, the manufacturing industry consistently comprised over 40 percent of total credit claimants. By Tax Year 2004, manufacturing made 46 percent of all of the credit claims. But in Tax Year 2005, manufacturing credit claims decreased to 44 percent. Of subsectors included in manufacturing,

computer and electronic product manufacturing made the largest number of credit claims for both tax years.

Over half of the credit amounts were consistently attributable to the manufacturing industry from Tax Years 2000 to 2005. In Tax Year 2005, 71.2 percent of the \$6.4-billion credit went to manufacturing (Figure F). In Tax Year 2004, 69.2 percent of the \$5.6-billion credit went to manufacturing. For both tax years, computer and electronic product manufacturing claimed the largest total credit.

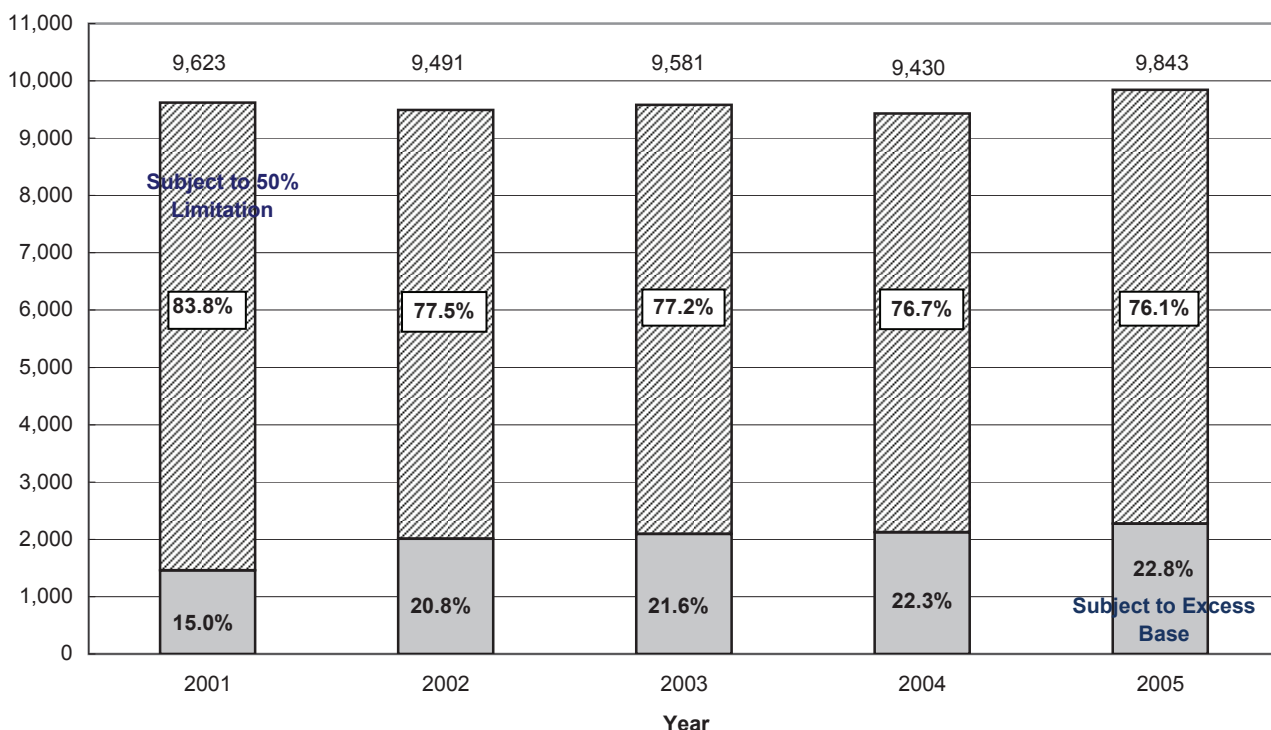
Observations and Analyses of the Data

Observations of data from corporation Forms 6765 revealed several issues in credit classifications and legitimate credit claims. Since corporations are not legally required to complete tax returns in their entirety, assumptions were made to assess the data in meaningful ways.¹

Figure D

Credit for Increasing Research Activities: Section A Credit Claimants, Base-Sensitivity, Tax Years 2001-2005

Number of Section A credit claimants



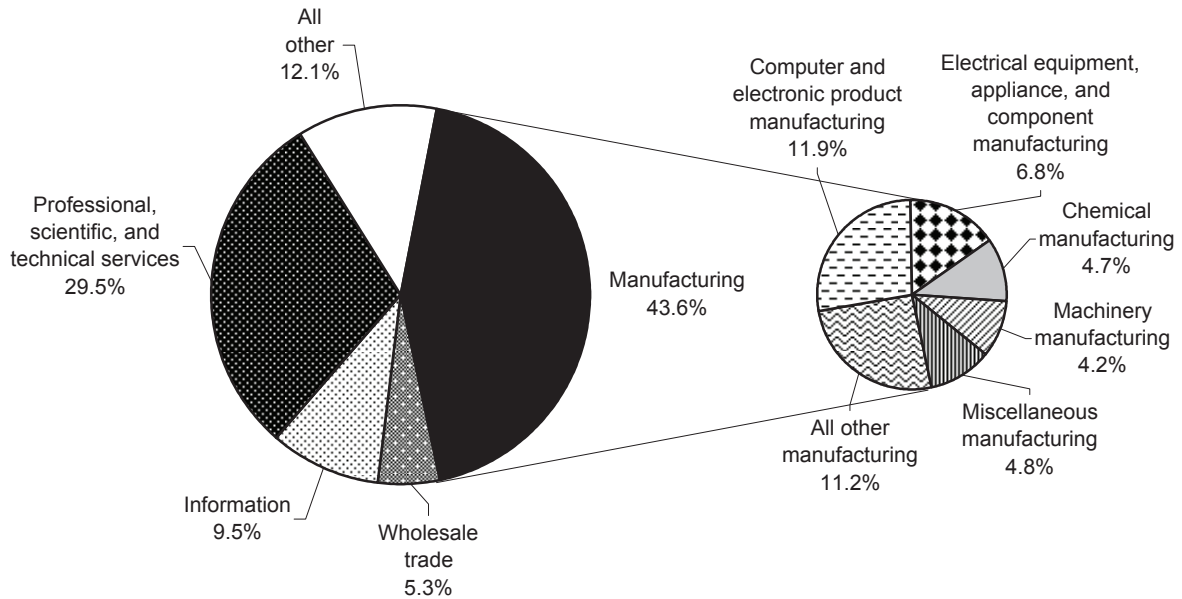
¹ For similar general issues regarding the description of the Corporate Statistics of Income sample and limitations of the data, see section 3 of the 2005 *Corporation Complete Report*. Link: <http://www.irs.gov/taxstats/bustaxstats/article/0,,id=112834.00.html>.

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Figure E

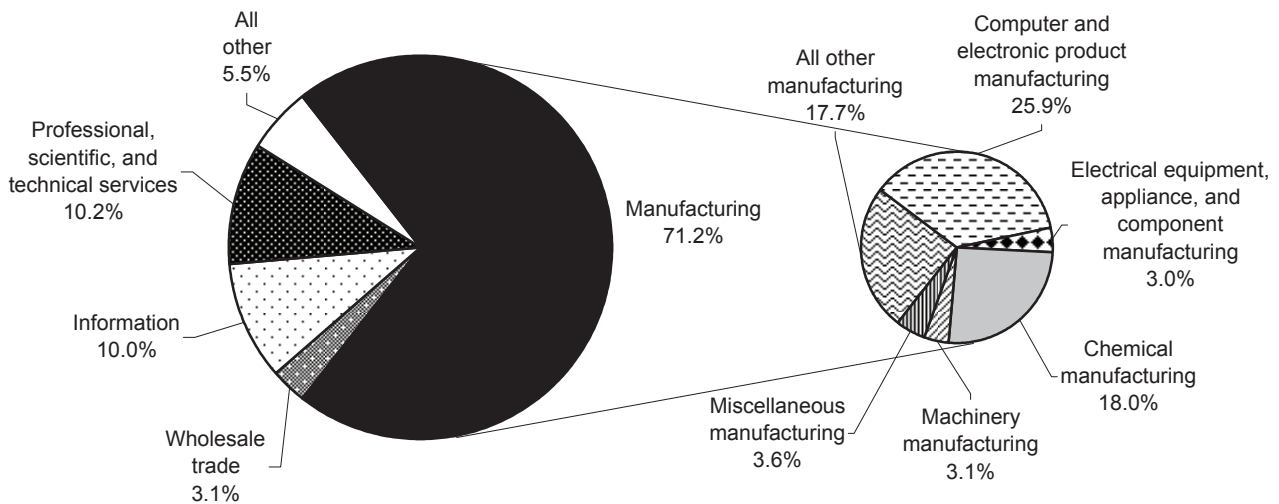
Number of Credit Claimants for Increasing Research Activities, by Industrial Sectors, Tax Year 2005



NOTE: Detail may not add to 100 percent because of rounding.

Figure F

Credit Amounts Claimed for Increasing Research Activities, by Industrial Sectors, Tax Year 2005



NOTE: Detail may not add to 100 percent because of rounding.

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Research Credit Claims, Defined

The only data that were considered were for Form 6765 filers claiming a Current Year Credit.² Due to data processing procedures and filing circumstances, these data show notable exceptions.

In hundreds of cases, corporations filed a Form 6765 but did not actually claim any credit amount. That is, corporations filled in component data on the tax form and probably concluded ineligibility for one reason or another. This disqualification could have stemmed from insufficient spending on qualified research to exceeding an allowable credit limit. Since credits were unable to be claimed in these cases, data from these forms were not included in the tables.

Assigning Methods of the Research Credit Calculation

Credit methods (e.g., Section A or Section B) were derived from comparisons among three different Form 6765 line items. Generally, while taking passthrough research credits into account, whenever the Current-Year Credit was equal to either the Regular Credit³ or the Alternative Incremental Credit,⁴ the coordinating credit method was assigned.⁵ However, exceptions to this simple procedure were made to accommodate legitimate credit data.

In fact, the current-year credit did not have to equal either the Section A—Regular Credit or the Section B—Alternative Incremental Credit to be included in data tables. For the few cases where both Regular Credit and Alternative Incremental Credit line items were blank, the existence of data on any one line item within either credit method funneled that particular corporation's credit under that particular credit method. Such a form may have provided information on Section A total qualified research spending,⁶ Section A average annual gross receipts,⁷ and the current-year credit. Thus, even though the Section A—Regular Credit line item was left blank, the form could be classified as a Section A claimant for Section A credit.

In many cases, corporations assigned as having taken Section A—Regular Credit also filled out component data for Section B—Alternative Incremental

Credit. According to taxpayer instructions for both Revision Years 2004 and 2005, taxpayers were advised to figure the credit using both calculation methods and claim the larger credit. All filers who did so and had information within both sections were classified as Section A credits.⁸

There were, however, claimants that could not be determined categorically. A number of corporations simply specified current-year credit amounts with no additional detail. Some showed the entire credit coming from passthrough entities⁹ (including partnerships, S corporations, estates, or trusts). The only information provided by these forms came from the summary, Section C. Credit calculation methods, therefore, could not be reliably assigned.

Summary

After unremarkable changes in the use of Form 6765 during Tax Years 2001 through 2004, there was an increase in Tax Year 2005. Both the number of claimants and the amount of credits grew. The manufacturing industry held a clear lead in taking advantage of the credits throughout these years. Most of the credits were claimed by four manufacturing subsectors, including computer and electronic product manufacturing; electrical equipment, appliance, and component manufacturing; chemical manufacturing; and machinery manufacturing. Companies with the largest class of business receipts (exceeding \$250 million) also maintained the lion's share of credits throughout Tax Years 2001 to 2005. The addition of a new credit-calculating method (Section C—Alternative Simplified Credit) in Tax Year 2006 should provide another interesting dimension to the composition of claimants for the Credit for Increasing Research Activities.

This finding is drawn from ...

Data extracted from corporation tax returns for 2001-2005. Aggregate data referenced in this finding for the Research Credit, in addition to 20 analytical tables from 2003-2005, can be found online at www.irs.gov/taxstats. Follow the "Corporations" link and then navigate to "Corporation Research Credit."

² Line 41 on the 2004 revision and line 43 on the 2005 revision.

³ Line 16 on the 2004 revision and line 17 on the 2005 revision.

⁴ Line 39 on the 2004 revision and line 41 on the 2005 revision.

⁵ Nonzero credit amounts aside, there were no cases in which both credit-calculating methods gave equal amounts.

⁶ Line 8 on the 2004 revision and line 9 on the 2005 revision.

⁷ Line 10 on the 2004 revision and line 11 on the 2005 revision.

⁸ This is shown by comparing the three separate parts of Tables 1 and 2. Section A credit component data remain consistent across the total data tables, while select Section B component credit data increase from the Section B data to the total tables (despite the number of credit claimants remaining the same).

⁹ Line 40 on the 2004 revision and line 42 on the 2005 revision.

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Table 1. Corporations Claiming a Credit for Increasing Research Activities on Form 6765 [1]: Selected Items, by Sectors, Tax Year 2004

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All sectors	Sectors			
		Agriculture, forestry, fishing, and hunting	Mining	Utilities	Construction
	(1)	(2)	(3)	(4)	(5)
Number of returns claiming a credit on Form 6765 [2]	10,244	40	22	17	21
Section A—Regular Credit					
1 Basic research payments paid or incurred	161,627	421	0	8	3,675
2 Qualified organization base period amount	166,818	[3]	3,464	2	1,838
4 Wages for qualified services	54,573,366	46,402	45,279	41,540	86,248
5 Cost of supplies	13,566,810	13,145	17,834	37,832	14,106
6 Rental or lease costs of computers	151,619	0	1,318	0	873
7 Applicable percentage of contract research expense	13,720,594	6,689	20,441	95,326	14,945
8 Total qualified research expenses (sum 4-7) [4]	84,021,173	66,236	84,872	174,698	116,172
10 Average annual gross receipts [5]	10,478,876,046	4,271,612	4,842,272	45,394,185	22,513,368
11 Base amount	36,688,818	33,672	25,742	83,735	58,956
16 Regular credit [6]	4,845,193	3,334	4,227	10,163	4,707
Section B—Alternative Incremental Credit [7]					
17 Basic research payments paid or incurred	25,731	0	d	0	0
18 Qualified organization base period amount	11,837	0	d	0	0
21 Wages for qualified services	24,066,503	14,401	d	0	0
22 Cost of supplies	4,913,043	5,885	d	0	0
23 Rental or lease cost of computers	8,433	0	d	0	0
24 Applicable percentage of contract research expense	3,191,919	351	d	0	0
25 Total qualified research expenses (sum 21-24) [4]	32,110,726	20,637	d	0	0
26 Average annual gross receipts [5]	634,904,221	316,415	d	0	0
39 Alternative incremental credit [6]	657,416	408	d	0	0
Section C—Current-Year Credit					
40 Passthrough rsrch cr(s) from prtshp, S corp, est, or trust	106,213	478	108	78	177
41 Current-year credit for Increasing research activities [2]	5,554,011	4,220	6,937	10,241	4,884

Footnotes at end of table.

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Table 1. Corporations Claiming a Credit for Increasing Research Activities on Form 6765 [1]: Selected Items, by Sectors, Tax Year 2004—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Sectors—continued				
	Manufacturing	Wholesale and retail trade	Transportation and warehousing	Information	Finance and insurance
	(6)	(7)	(8)	(9)	(10)
Number of returns claiming a credit on Form 6765 [2]	4,686	812	23	977	142
Section A—Regular Credit					
1 Basic research payments paid or incurred	104,847	8,825	d	11,078	22
2 Qualified organization base period amount	132,451	4,018	d	4,310	17
4 Wages for qualified services	36,699,034	2,694,792	d	5,942,542	1,530,738
5 Cost of supplies	11,632,013	440,580	d	174,397	13,275
6 Rental or lease costs of computers	102,245	17,520	d	11,736	34
7 Applicable percentage of contract research expense	8,705,377	840,151	d	1,473,157	512,585
8 Total qualified research expenses (sum 4-7) [4]	58,330,162	3,993,042	d	8,434,608	2,056,627
10 Average annual gross receipts [5]	1,840,816,143	373,728,368	d	323,259,558	7,397,225,600
11 Base amount	29,378,855	1,615,064	d	2,846,021	671,457
16 Regular credit [6]	3,316,629	200,157	d	497,175	111,162
Section B—Alternative Incremental Credit [7]					
17 Basic research payments paid or incurred	24,015	174	d	0	d
18 Qualified organization base period amount	10,199	10	d	0	d
21 Wages for qualified services	18,566,351	380,606	d	4,284,428	d
22 Cost of supplies	4,657,722	29,143	d	56,019	d
23 Rental or lease cost of computers	8,376	0	d	56	d
24 Applicable percentage of contract research expense	2,715,036	96,875	d	238,849	d
25 Total qualified research expenses (sum 21-24) [4]	25,961,190	506,623	d	4,496,474	d
26 Average annual gross receipts [5]	531,467,696	16,032,729	d	62,718,310	d
39 Alternative incremental credit [6]	533,213	7,923	d	91,504	d
Section C—Current-Year Credit					
40 Passthrough rsrch cr(s) from prtshp, S corp, est, or trust	54,415	2,785	8	6,980	310
41 Current-year credit for Increasing research activities [2]	3,845,792	211,484	11,515	599,795	111,678

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Table 1. Corporations Claiming a Credit for Increasing Research Activities on Form 6765 [1]: Selected Items, by Sectors, Tax Year 2004—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Sectors—continued				
	Real estate, rental, and leasing	Professional, scientific, and technical services	Management of companies (holding companies)	Administrative and support and waste management services	Various services [8]
	(11)	(12)	(13)	(14)	(15)
Number of returns claiming a credit on Form 6765 [2]	8	3,304	70	23	99
Section A—Regular Credit					
1 Basic research payments paid or incurred	d	29,436	[3]	0	3,316
2 Qualified organization base period amount	d	18,627	0	0	2,092
4 Wages for qualified services	d	6,368,252	584,475	180,077	213,802
5 Cost of supplies	d	1,137,015	250	16,451	67,020
6 Rental or lease costs of computers	d	17,689	0	0	204
7 Applicable percentage of contract research expense	d	1,645,960	240,492	13,570	95,168
8 Total qualified research expenses (sum 4-7) [4]	d	9,169,173	825,217	194,360	376,194
10 Average annual gross receipts [5]	d	175,301,419	172,240,989	8,860,357	35,448,225
11 Base amount	d	1,712,326	69,039	73,779	50,997
16 Regular credit [6]	d	587,670	53,309	18,252	25,866
Section B—Alternative Incremental Credit [7]					
17 Basic research payments paid or incurred	d	1,543	0	d	0
18 Qualified organization base period amount	d	1,629	0	d	0
21 Wages for qualified services	d	652,035	0	d	8,426
22 Cost of supplies	d	113,193	0	d	1,342
23 Rental or lease cost of computers	d	0	0	d	0
24 Applicable percentage of contract research expense	d	114,443	0	d	698
25 Total qualified research expenses (sum 21-24) [4]	d	879,671	0	d	10,467
26 Average annual gross receipts [5]	d	17,685,174	0	d	201,595
39 Alternative incremental credit [6]	d	20,357	0	d	196
Section C—Current-Year Credit					
40 Passthrough rsrch cr(s) from prtshp, S corp, est, or trust	0	2,050	38,699	113	14
41 Current-year credit for Increasing research activities [2]	1,120	609,019	92,007	18,956	26,363

d—Amounts have been deleted to avoid disclosure of information for certain companies.

[1] Includes returns of active corporations, other than Forms 1120S, 1120-REIT, and 1120-RIC.

[2] Number of credit claimants and Line 41 include corporations that only reported data on Line 41.

[3] An amount less than \$500 was present before rounding.

[4] Lines 8 and 25 do not equal the sum of their components as shown in this table, because some corporations only reported these total lines.

[5] Lines 10 and 26, Average annual gross receipts, are defined as the average annual gross receipts for the 4 tax years preceding the tax year for which the credit is being determined.

[6] Lines 16 and 39 include credit amounts for which some corporations did not provide component data.

[7] Component data for Section B include Section A credit claimants who also filled in information in Section B.

[8] "Various Services" include educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services.

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Table 2. Corporations Claiming a Credit for Increasing Research Activities on Form 6765 [1]: Selected Items, by Sectors, Tax Year 2005

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All sectors	Sectors			
		Agriculture, forestry, fishing, and hunting	Mining	Utilities	Construction
	(1)	(2)	(3)	(4)	(5)
Number of returns claiming a credit on Form 6765 [2]	11,290	61	19	37	18
Section A—Regular Credit					
1 Certain amounts paid/incurred to energy consortia after 8/8/05	43,223	0	0	41,945	0
2 Basic research payments paid or incurred	259,496	379	0	0	177
3 Qualified organization base period amount	464,596	11	0	2	89
5 Wages for qualified services	64,805,322	43,483	38,680	61,264	30,954
6 Cost of supplies	15,678,591	10,741	8,191	56,651	7,219
7 Rental or lease costs of computers	63,317	114	0	1	0
8 Applicable percentage of contract research expense	15,694,630	7,425	3,069	98,003	18,624
9 Total qualified research expenses (sum 5-8) [3]	96,520,705	61,763	49,940	215,918	56,798
11 Average annual gross receipts [4]	52,786,116,098	6,364,075	2,681,573	90,500,058	10,487,317
12 Base amount	39,408,039	19,101	19,947	193,698	14,180
17 Regular credit [5]	5,596,162	3,390	2,661	18,116	3,319
Section B—Alternative Incremental Credit [6]					
18 Certain amounts paid/incurred to energy consortia after 8/8/05	9,929	0	d	d	0
19 Basic research payments paid or incurred	21,540	0	d	d	0
20 Qualified organization base period amount	209,547	0	d	d	0
23 Wages for qualified services	24,452,777	*16,173	d	d	0
24 Cost of supplies	5,303,772	*6,139	d	d	0
25 Rental or lease cost of computers	6,471	0	d	d	0
26 Applicable percentage of contract research expense	3,567,167	*1,332	d	d	0
27 Total qualified research expenses (sum 23-26) [3]	33,330,249	*23,644	d	d	0
28 Average annual gross receipts [4]	661,784,696	*286,575	d	d	0
41 Alternative incremental credit [5]	633,914	*496	d	d	0
Section C—Current-Year Credit					
42 Passthrough rsrch cr(s) from prtshp, S corp, est, or trust	136,220	156	46	108	104
43 Current-year credit for Increasing research activities [2]	6,363,476	4,183	5,408	20,454	3,424

Footnotes at end of table.

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Table 2. Corporations Claiming a Credit for Increasing Research Activities on Form 6765 [1]: Selected Items, by Sectors, Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Sectors—continued				
	Manufacturing	Wholesale and retail trade	Transportation and warehousing	Information	Finance and insurance
	(6)	(7)	(8)	(9)	(10)
Number of returns claiming a credit on Form 6765 [2]	4,921	718	43	1,076	143
Section A—Regular Credit					
1 Certain amounts paid/incurred to energy consortia after 8/8/05	1,279	0	0	0	0
2 Basic research payments paid or incurred	202,484	8,648	0	875	10,339
3 Qualified organization base period amount	199,621	14,869	0	60,923	4,882
5 Wages for qualified services	44,733,527	3,088,635	93,907	7,741,835	1,374,218
6 Cost of supplies	13,512,335	607,627	2,173	138,469	12,543
7 Rental or lease costs of computers	34,171	14,105	0	6,613	277
8 Applicable percentage of contract research expense	9,852,427	928,108	42,303	1,810,305	564,471
9 Total qualified research expenses (sum 5-8) [3]	68,257,544	4,638,496	138,384	9,813,031	1,951,508
11 Average annual gross receipts [4]	1,838,706,514	351,591,497	87,558,936	421,684,728	49,523,187,675
12 Base amount	31,305,001	1,930,322	61,349	3,446,728	321,292
17 Regular credit [5]	3,952,299	216,440	8,699	549,464	121,605
Section B—Alternative Incremental Credit [6]					
18 Certain amounts paid/incurred to energy consortia after 8/8/05	0	0	d	0	0
19 Basic research payments paid or incurred	9,360	641	d	0	10,634
20 Qualified organization base period amount	29,500	174,122	d	0	5,472
23 Wages for qualified services	18,457,193	538,110	d	4,068,832	103,543
24 Cost of supplies	4,966,692	86,767	d	57,402	3,283
25 Rental or lease cost of computers	6,423	0	d	48	0
26 Applicable percentage of contract research expense	2,950,505	199,560	d	233,653	15,917
27 Total qualified research expenses (sum 23-26) [3]	26,380,812	824,423	d	4,359,935	122,744
28 Average annual gross receipts [4]	555,281,861	17,831,545	d	54,001,995	4,279,687
41 Alternative incremental credit [5]	488,145	15,240	d	90,520	2,518
Section C—Current-Year Credit					
42 Passthrough rsrch cr(s) from prtshp, S corp, est, or trust	81,739	5,241	330	5,164	550
43 Current-year credit for Increasing research activities [2]	4,529,302	235,402	9,040	636,462	124,607

Footnotes at end of table.

The Credit for Increasing Research Activities

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Table 2. Corporations Claiming a Credit for Increasing Research Activities on Form 6765 [1]: Selected Items, by Sectors, Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Sectors—continued				
	Real estate, rental, and leasing	Professional, scientific, and technical services	Management of companies (holding companies)	Administrative and support and waste management services	Various services [7]
	(11)	(12)	(13)	(14)	(15)
Number of returns claiming a credit on Form 6765 [2]	14	3,335	326	420	160
Section A—Regular Credit					
1 Certain amounts paid/incurred to energy consortia after 8/8/05	0	0	0	0	0
2 Basic research payments paid or incurred	0	34,833	0	0	1,760
3 Qualified organization base period amount	0	175,873	7,436	0	891
5 Wages for qualified services	73,173	6,537,210	562,723	154,442	271,271
6 Cost of supplies	7,650	1,237,571	8,730	12,232	56,458
7 Rental or lease costs of computers	284	6,882	332	193	348
8 Applicable percentage of contract research expense	15,590	1,931,924	270,322	35,631	116,429
9 Total qualified research expenses (sum 5-8) [3]	96,696	9,751,516	842,107	202,498	444,506
11 Average annual gross receipts [4]	3,679,967	141,331,509	284,810,031	8,371,735	15,160,483
12 Base amount	31,330	1,756,819	147,936	86,376	73,959
17 Regular credit [5]	4,210	619,178	54,222	10,118	32,442
Section B—Alternative Incremental Credit [6]					
18 Certain amounts paid/incurred to energy consortia after 8/8/05	d	0	0	d	0
19 Basic research payments paid or incurred	d	906	0	d	0
20 Qualified organization base period amount	d	453	0	d	0
23 Wages for qualified services	d	1,075,177	0	d	8,207
24 Cost of supplies	d	143,282	0	d	1,505
25 Rental or lease cost of computers	d	0	0	d	0
26 Applicable percentage of contract research expense	d	146,927	0	d	3,581
27 Total qualified research expenses (sum 23-26) [3]	d	1,365,386	0	d	13,292
28 Average annual gross receipts [4]	d	25,311,135	0	d	324,495
41 Alternative incremental credit [5]	d	30,286	0	d	245
Section C—Current-Year Credit					
42 Passthrough rsrch cr(s) from prtshp, S corp, est, or trust	172	1,962	40,566	37	45
43 Current-year credit for Increasing research activities [2]	4,445	651,093	94,833	11,859	32,966

* Estimate should be used with caution because of the small number of sample returns on which it was based.

d—Amounts have been deleted to avoid disclosure of information for certain companies.

[1] Includes returns of active corporations, other than Forms 1120S, 1120-REIT, and 1120-RIC.

[2] Number of credit claimants and Line 43 include corporations that only reported data on Line 43.

[3] Lines 9 and 27 do not equal the sum of their components as shown in this table, because some corporations only reported these total lines.

[4] Lines 11 and 28, Average annual gross receipts, are defined as the average annual gross receipts for the 4 tax years preceding the tax year for which the credit is being determined.

[5] Lines 17 and 41 include credit amounts for which some corporations did not provide component data.

[6] Component data for Section B include Section A credit claimants who also filled in information in Section B.

[7] "Various Services" include educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services.