

For the calendar year 2006 or  
fiscal year beginning  and ending .

**Attach to your return**

Name(s) as shown on Forms 140, 140PY, 140NR, 140X	Social security number
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Individuals must complete this form to claim the credit for increased research activities. Do not complete Form 308.

Complete this form if the taxpayer has:

- (a) a current taxable year's credit from the taxpayer's sole proprietorship; OR
- (b) a current taxable year's credit passed through from an S corporation or a partnership; OR
- (c) a carryover of unused credit from taxable year(s) 2001 and later.

**Part I Current Taxable Year Credit Calculation (Sole Proprietorships Only)**

1 Wages for qualified services (do not include wages used in figuring the federal work opportunity credit) .....	<b>1</b>		<b>00</b>
2 Cost of supplies .....	<b>2</b>		<b>00</b>
3 Rental or lease cost of computers .....	<b>3</b>		<b>00</b>
4 Contract research expenses. <i>See instructions</i> .....	<b>4</b>		<b>00</b>
5 Total qualified research expenses. <i>Add lines 1 through 4. Enter the total</i> .....		<b>5</b>	<b>00</b>
6 Average annual gross receipts. <i>See instructions</i> .....	<b>6</b>		<b>00</b>
7 Fixed-base percentage (not more than 16%). <i>See instructions</i> .....	<b>7</b>	%	
8 Base amount. <i>Multiply line 6 by the percentage on line 7. Enter the result</i> .....		<b>8</b>	<b>00</b>
9 Subtract line 8 from line 5. <i>If less than zero, enter zero (0)</i> .....		<b>9</b>	<b>00</b>
10 Multiply line 5 by 50% (.50). <i>Enter the result</i> .....		<b>10</b>	<b>00</b>
11 Enter the lesser of line 9 or line 10 .....		<b>11</b>	<b>00</b>
12 Current year credit for increased research activities. <i>See instructions before completing this line</i> .....		<b>12</b>	<b>00</b>

**Part II Current Taxable Year's Credit Passed Through From S Corporations and Partnerships**

13 Total amount of credit passed through from S corporations and partnerships (Enter the aggregate amount of the credit for increased research activities from all Forms 308 received from S corporations and partnerships. Attach copies of any Forms 308 to your tax return) .....

	<b>13</b>	<b>00</b>
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**Part III Available Pre-2003 Credit Carryover**

	(a)	(b)	(c)	(d)
	Carryover credit from taxable year	Original credit amount	Amount previously used	Available carryover - subtract column (c) from column (b)
<b>14</b>	2001			
<b>15</b>	2002			
<b>16</b>	Total available pre-2003 credit carryover .....			

**Part IV Available Post-2002 Credit Carryover**

	(a)	(b)	(c)	(d)
	Carryover credit from taxable year	Original credit amount	Amount previously used	Available carryover - subtract column (c) from column (b)
<b>17</b>	2003			
<b>18</b>	2004			
<b>19</b>	2005			
<b>20</b>	Total available post-2002 credit carryover .....			

**Part V Application of Credit Carryovers**

LIMITATION OF PRE-2003 CREDIT CARRYOVER: You may not be able to use all your available pre-2003 credit carryovers from Part III, line 16 to offset this year's tax liability. Complete Part V to determine which credit carryovers you may claim. Also complete Part V to figure the total of all of your available credit carryovers (amounts from Part III, line 16 and Part IV, line 20) that you may claim this year.

<b>21a</b> Tax liability - amount from Form 301, Part II, line 32 .....	<b>21a</b>		<b>00</b>
<b>21b</b> Current taxable year's credit - add the amounts from page one, Part I, line 12 and Part II, line 13 ..	<b>21b</b>		<b>00</b>
<b>21c</b> Subtract line 21b from line 21a .....	<b>21c</b>		<b>00</b>
<b>22a</b> Available pre-2003 credit carryover - amount from Part III, line 16.....	<b>22a</b>		<b>00</b>
<b>22b</b> Enter the lesser of line 21a or \$500,000.....	<b>22b</b>		<b>00</b>
<b>22c</b> Subtract line 21b from line 22b (if the result is zero or less, enter zero).....	<b>22c</b>		<b>00</b>
<b>22d</b> Enter the lesser of line 22a or line 22c. This is the amount of pre-2003 carryover that you may use .....	<b>22d</b>		<b>00</b>
<b>23</b> Subtract line 22d from line 21c .....	<b>23</b>		<b>00</b>
<b>24</b> Enter the lesser of line 20 or line 23. This is the amount of post-2002 carryover that you may use.....	<b>24</b>		<b>00</b>

**NOTE:** The amount of the credit carryover you may claim on your tax return may be further reduced if you claim other nonrefundable tax credits.  
See Form 301 for details.

**Part VI Total Available Credit**

<b>25</b> Enter the current year's credit from Part V, line 21b .....	<b>25</b>		<b>00</b>
<b>26</b> Credit carryover - add the amounts from Part V, line 22d and 24.....	<b>26</b>		<b>00</b>
<b>27 Total available credit</b> - add lines 25 and 26. Enter total here and on Form 301 Part I, line 6.....	<b>27</b>		<b>00</b>