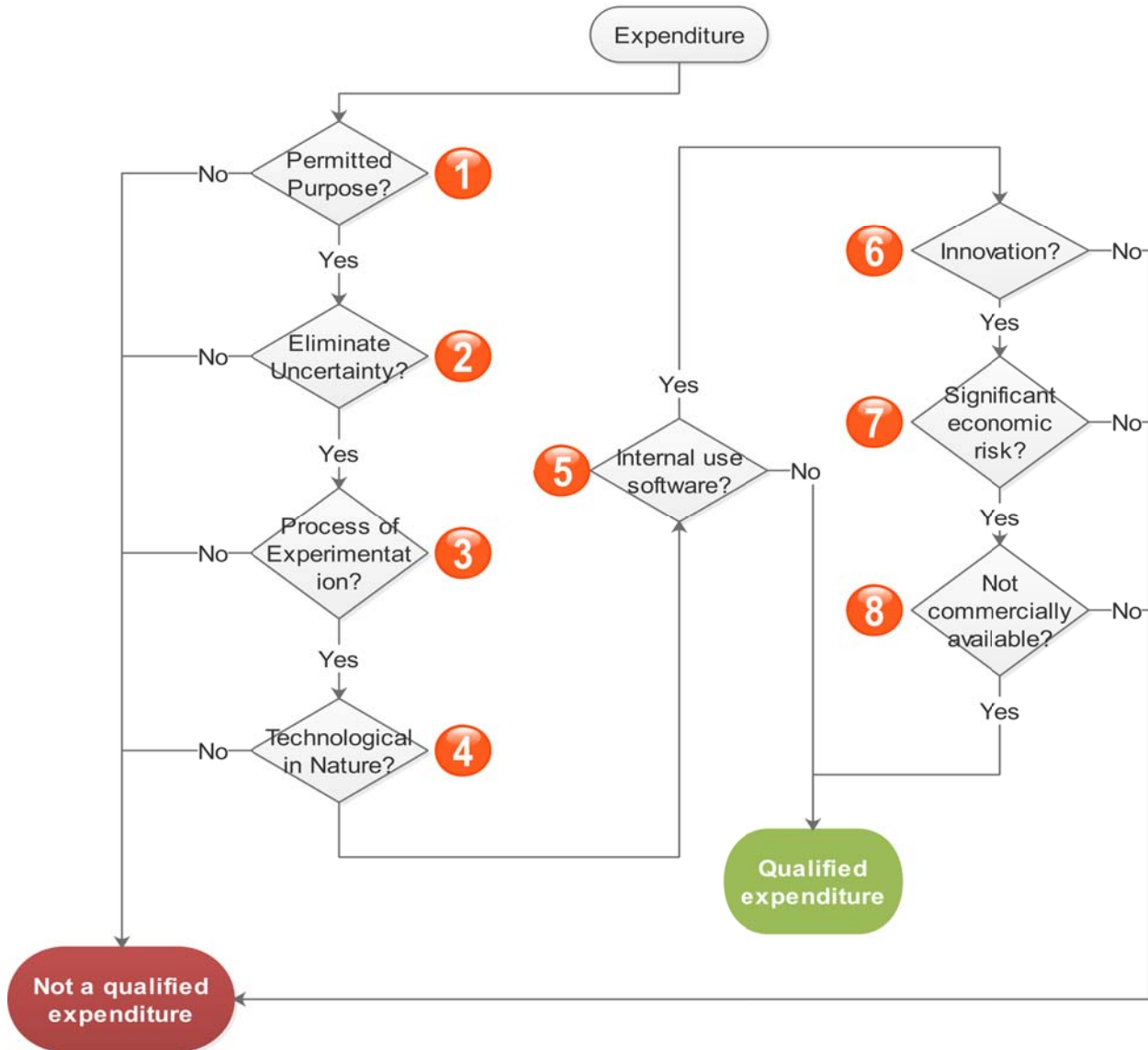


Qualified Research Expenditure (QRE) Flowchart



- 1**
 - New or improved business component as to: function, performance, reliability or quality
 - Not qualified if relates to: style, taste, cosmetic or seasonal design factors
- 2**
 - Must be present at beginning of project
 - Uncertainty concerns: capability, methodology, or appropriateness of design
- 3**
 - Evaluate 1 or more alternatives to resolve uncertainty.
 - Substantially all activities (> 80%) constitute elements of a process of experimentation.
- 4**
 - Physical or biological sciences, computer science or engineering
- 5**
 - If expenses relate to Internal use software then 3 additional tests
- 6**
 - The software must be technologically innovative in a unique or novel way from prior implementations or methods (substantial improvements in speed or capabilities).
- 7**
 - Substantial resources committed to project, and uncertainty such funds will be recovered in a reasonable period of time because of technical uncertainties.
- 8**
 - Software that satisfies taxpayer's requirements without substantial modification is not available for purchase, lease or license.