

R&D Tax Credits

U.S. Federal Credit For Increasing Research Activities

The U.S. federal Credit for Increasing Research Activities, also known as the R&D Tax Credit, is one of the most valuable incentives available to taxpayers. Since its inception in the 1980s, the credit has been expanded and broadened, enabling more taxpayers to take advantage and benefit. Companies of all sizes across a wide range of industries can qualify for the credit, and some taxpayers can even use their credits against their payroll tax liabilities, allowing increased cash flow before a single dollar is earned. SingerLewak's Research Credit specialists have extensive experience in both federal and state research credits to assist businesses to maximize benefits.

Because R&D credits can be claimed by businesses of all sizes and types, R&D credit services are not one-size-fits-all. SingerLewak credit specialists tailor services to each client, allowing flexibility in scope and pricing so more taxpayers can benefit. Using a phased approach allows SingerLewak to assess a taxpayer's potential opportunity before committing to a project



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PHASE I - Assessment

Phase I is an assessment designed to quickly estimate the range of potential credits available and the scope of work involved in quantifying and substantiating credit claims.

PHASE 2 - Implementation

If the Company decides to proceed with calculating and claiming credits, Phase II involves a deeper dive into the qualification and quantification of research and development activities and expenses.

The R&D Tax Credit:

- ▶ Is a hidden and immediate source of cash for many companies.
- ▶ Provides a reduction to current and future years federal and state tax liabilities.
- ▶ May be available for all open tax years, not just the current year (retroactive options differ depending on specific circumstances).
- ▶ May be carried forward up to twenty years for federal credits (state credits differ; CA credits never expire).
- ▶ Can be used by certain small businesses to offset up to \$500K/year of payroll tax liabilities.
- ▶ May also be available in states in which the company is taxed, in addition to earning federal credit on the same expenses.
- ▶ May be claimed on in-house and certain externally contracted research expenses.

Other R&D Tax Implications

Recent changes to tax law from the TCJA and OBBBA can complicate R&D tax matters. While taxpayers are once again permitted immediate deductions for domestic research expenses, foreign research expenses remain subject to capitalization. Taking best advantage of taxpayer-friendly provisions requires different approaches depending on the taxpayer's circumstances.

These activities may qualify:

- ▶ Development of new, improved, or more reliable products, processes, techniques, formulas
- ▶ Development of prototypes and models, including virtual models
- ▶ Design of tools, jigs, molds, and dies
- ▶ Development and testing of new technologies
- ▶ Attempting to use new materials
- ▶ Integration, design, or modification of new equipment
- ▶ Software development (includes internal software)



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