

# RESEARCH & DEVELOPMENT TAX CREDIT

## SALTMARSH, CLEVELAND & GUND

### THE IRS ESTIMATES THAT ONLY 10% OF COMPANIES THAT QUALIFY ACTUALLY TAKE ADVANTAGE OF THE BENEFITS.

Many business owners today participate in research and development activities that may qualify them for the Research and Development (R&D) tax credit and they don't even know it.

The R&D tax credit is a cash incentive for small to large companies, ranging in size, to help offset the cost of research and development activities. This is one way that the government supports manufacturing innovation in the United States in order to remain competitive in today's global market.

Since a credit can be applied for all open tax years (usually the 3 preceding tax years), we can help you calculate and document your claim and file amended tax returns in order to get the credits you deserve.

### WHO QUALIFIES FOR THE CREDIT?

Any company that develops, designs or improves products, processes, formulas, techniques, inventions or software can be eligible for the credit. Typically, small companies overlook research and development because they do not have a lab or scientists. Research and development can come from engineers, software developers, factory workers, tooling workers and a variety of other tasks performed in daily business.

A wage-based credit is also available to offset supply costs and contracted labor. This credit is a general business credit and a dollar-for-dollar reduction in the tax liability for the company. It is also available for flow-through entities such as S-Corporations and Partnerships and would directly reduce the individual owner's tax expense.

As of January 1, 2016, eligible small businesses (\$50 million or less in gross receipts), can now claim the credit against alternative minimum tax ("AMT"). Furthermore eligible startup companies (those with less than \$5 million in gross receipts and earning revenue for less than 5 years) can claim up to \$250,000 of the credit against the company's payroll taxes.

### FOUR BASIC REQUIREMENTS

1. Qualified research activities are defined as, "the development or improvement of a business component (defined as a process, technique, product, invention, formula or software)."
2. The research must be technological in nature and must rely on the physical or biological sciences, engineering or computer sciences.
3. The research must be intended to eliminate uncertainty in the development or improvement of the business component.
4. Elimination of technical uncertainty must be accomplished through a process of experimentation, including trial and error, simulation or modeling. Failure before success in the research is not a requirement in this area.

### ELIGIBLE INDUSTRIES

- Aerospace and Defense
- Agriculture
- Architectural and Engineering
- Biotech
- Construction
- Dental Labs
- Design-Build Manufacturing
- Metal Fabricating and Casting
- Oil and Gas
- Pharmaceutical
- Software Development
- Tool and Die

*Manufacturing, including but not limited to Chemical, Boat, Computers, Electronics, Electrical Equip., Medical Devices, Plastics, Rubber, Transportation Equip., Signs.*

### QUALIFYING ACTIVITIES

- Designing New, Improved or More Reliable Products, Processes or Formulas
- Designing New Products (For the Company's Use, Not Consumers/Customers)
- Designing Tools, Molds, Jigs and Dies
- Developing and Applying for Patents
- Certification Testing
- New Concepts and Technology
- Improving Manufacturing and/or Production Processes (Includes Incorporation of New Equipment in the Process)
- Building New Manufacturing Plants

### ABOUT SALTMARSH, CLEVELAND & GUND

Since 1944, Saltmarsh has provided accounting, auditing, tax and consulting services to businesses in a variety of industries. Founded on the principles of honesty, integrity, accuracy and the highest levels of service to our clients and the communities we serve, Saltmarsh has grown to become one of the largest and most respected locally-owned CPA firms in the Southeast. Our unique combination of regional, national and international resources, along with local firm responsiveness and personal attention, provide a solid blend of professionalism and quality service.

### CONTACT

Lisa Fairbanks, CPA | Senior Manager  
[lisa.fairbanks@saltmarshcpa.com](mailto:lisa.fairbanks@saltmarshcpa.com)

Glenn Scharf, CPA, CVA | Shareholder  
[glenn.scharf@saltmarshcpa.com](mailto:glenn.scharf@saltmarshcpa.com)

**Saltmarsh**  
Saltmarsh, Cleveland & Gund  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
[saltmarshcpa.com](http://saltmarshcpa.com) | (800) 477-7458