

RESEARCH TAX CREDIT OVERVIEW

Four-Part Test to Qualify Development Activities

1. PERMITTED PURPOSE/BUSINESS COMPONENT:

The activity should relate to a new or improved function, performance, reliability, or quality of a business component to be held for sale, lease, license or used in the business.

-Product -Software -Formula -Process -Technique -Invention

2. SCIENTIFIC PRINCIPLES

Principles of physical, biological sciences, engineering, physics, or computer science must be inherent in the Process of Experimentation

3. TECHNICAL UNCERTAINTY:

At the onset of the development activity, there must be uncertainty relative to:

-Product -Software -Formula -Process -Technique -Invention

(i.e. The Business Component)

4. PROCESS OF EXPERIMENTATION:

Evaluation of one or more alternatives used to eliminate technical uncertainties identified at the beginning of the development activity.

Calculations Made Simple

REGULAR FEDERAL RESEARCH TAX CREDIT:

Lesser of (QREs-FB) or (QREs x 50%) x 20% = R & D Tax Credit
Qualified Research Expenditures (QREs) = Wages + Supplies = (Contract Research x 65%)
Fixed Base Amount (FB) = Average Revenue (prior 4 years) x Fixed Base Percentage (FB%)

ALTERNATIVE SIMPLIFIED METHOD (ASC):

QREs – P3YQRE x 14% = Alternative Simplified Credit
Qualified Research Expenditures (QREs) = Wages + Supplies = (Contract Research x 65%)
P3YQRE = Prior 3 years QREs

***NOTE: SOME STATES ALSO HAVE R & D TAX CREDITS**

Industries Most Likely To Qualify For Research Tax Credits

<p style="text-align: center;">FINANCE</p> <p>New and improved software (both internal use and external storage technologies, cloud services, new platforms or use of outside platforms for testing, algorithm development, new or improved hardware, mobile platforms, new or improved applications</p>	<p style="text-align: center;">BREWERIES</p> <p>Bottle conditioning, packaging designs to ensure shelf life longevity, product formulations or improved ingredient mixing methods.</p>	<p style="text-align: center;">MANUFACTURING Product and process development or improvement, design of new machines, use of new materials, prototypes, software, certification testing, environmental testing, computer modeling, software development.</p>
<p style="text-align: center;">INFORMATION</p> <p>New and improved software, storages technologies, cloud services, new platforms or use of outside platforms for testing, algorithm development, new or improved hardware, mobile platforms, new or improved applications.</p>	<p style="text-align: center;">PROFESSIONAL SERVICES</p> <p>Design engineering, new or improved software development, process development, flow engineering, civil engineering.</p>	<p style="text-align: center;">ARCHITECTURE/CONSTRUCTION</p> <p>Reality capture technology, software, improved pains and surface protection, new pavement technologies, architectural designs to save or optimize space, improved insulation, kinetic technologies, use of new materials, design of internal systems LEED, value engineering.</p>
	<p style="text-align: center;">BIOTECH</p> <p>Developing new or improved pharmaceuticals, improving the manufacturing process, new uses for existing drugs, manufacturing techniques are used.</p>	