



Guiding the Manufacturing Industry Forward

Research & Development Tax Credits

Federal R&D Tax Credit Changes Allow More Companies to Qualify

The Protecting Americans from Tax Hikes Act of 2015 (“PATH Act”) extended many expired provision of the Internal Revenue Code (“IRC” or “Code”). It was passed by the House of Representatives on December 17, 2015, and passed by the Senate and signed by the President on December 18, 2015. The PATH Act impacted many temporary credits which are routinely extended for one-to-two year periods, including the Research and Development (“R&D”) Tax Credit, which was not only extended but also made permanent.

Examples of Manufacturing Activities That May Qualify

Any company that invests in product or process improvement can qualify. Further, these improvements need not be substantial as even evolutionary improvements may qualify. If your company is working on any of the items below, it is likely that you will qualify for the tax credit.

New or improved:

- ▶ features or functionality
- ▶ material analysis
- ▶ production techniques
- ▶ transportation solutions
- ▶ process improvements
- ▶ proprietary technology or software
- ▶ efficiency or speed improvements

Don't Leave Money on the Table

Did you know that less than one-third of eligible companies are aware that they qualify for the R&D Tax Credit? Even if companies claim an R&D credit, they frequently do not claim the entire credit to which they are entitled. This is either because they are uncertain of what qualifies for the credit or do not have the processes in place to properly document the credit.

How Much is the Credit?

The credit differs from a deduction in that it is an actual dollar-for-dollar offset against taxes owed or paid. While the computation of the credit can be complex, most companies receive a credit equal to 9-14% of total qualifying expenditures. Most qualifying expenses result from the wages paid to employees that participate in qualifying activities. If your company has been engaged in qualifying activities for the last several years, you may be eligible to retroactively claim R&D tax credits.

Call Cherry Bekaert Today for a No-Risk Assessment

Cherry Bekaert has helped clients recover millions in cash refunds from previously unclaimed credits and by defending past, present and future credits. While the process to apply for and, ultimately, get cash back from the R&D Tax Credit is complex, our team of in-house engineers and dedicated tax specialists leverage their experience to develop a systematic approach designed to maximize your credit, and gain a solid defense against IRS criticism. Our services can help you capture cash benefits that typically will greatly exceed the investment of this analysis.

What qualifies for the R&D credit?

The R&D Tax Credit is not just for manufacturers. Firms in all major industries may qualify to claim the credit. We have helped clients in a wide array of industries, including:

- ▶ Aerospace
- ▶ Agriculture
- ▶ Architecture
- ▶ Chemical
- ▶ Computer Hardware
- ▶ Construction
- ▶ Consumer Products
- ▶ Energy
- ▶ Engineering
- ▶ Financial Services
- ▶ Furniture
- ▶ Government Contractors
- ▶ Manufacturing & Distribution
- ▶ Medical Devices
- ▶ Metals/Mining
- ▶ Oil/Gas
- ▶ Software
- ▶ Technology & Life Sciences
- ▶ Telecom
- ▶ Utilities/Waste

Let us be your guide forward



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