



FEDERAL CREDITS & ACCOUNTING METHODS

R&D Tax Credit for the Marine Industry

Catch the Credit Wave!

Before you show off your new model or features at the next boat show, think of all the testing that goes into getting your product just right. Did you know that the time and supplies that go into testing your new model or feature can provide you with a tax credit? Well it can! Take advantage of the government's generous Research & Development Tax Credit ("R&D Tax Credit") that can provide you with an immediate source of cash, as well as current and future reductions in your federal and state tax liabilities.

What is the R&D Tax Credit?

Many companies fail to take full advantage of the R&D Tax Credit due to misconceptions about the types of research and development activities that qualify. The fact is that a broad range of common practices in many industries, including boat and engine manufacturers, will qualify for the credit under the Internal Revenue Code's definition of research and development. Research and development is not limited to the work of dedicated scientists and may be performed by outside contractors. The R&D Tax Credit is for taxpayers of ANY size that design, develop, or improve products, processes, techniques, formulas, inventions, or software.

In fact, if a boat or engine manufacturer invests time, money, and resources toward the advancement and improvement of its products and processes, it likely qualifies for the credit.

The best part is that the R&D Tax Credit is now a permanent credit, as provided by the Protecting Americans from Tax Hikes Act of 2015 ("PATH Act"), and taxpayers can "look back" to all open tax years (typically three years plus the current year) for potential R&D Tax Credit that was never claimed. Many states also provide credits, in addition to the federal 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 boat or engine manufacturers 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 qualified activities for the last several years, you may be eligible to retroactively claim R&D tax credits. In addition, the R&D Tax Credit can be carried forward for 20 years and carried back one year.

How to Qualify

At the simplest level, the R&D Tax Credit is about encouraging basic science and/or applied science. It is the applied science piece that many in the marine industry do not understand about the R&D Tax Credit, thinking that eligibility applies only to scientists. If your business is involved in applied research, or practical and technical problem solving, then more likely than not, your company may be engaged in activities that qualify for the R&D Tax Credit. Our services can help you capture cash benefits that typically will greatly exceed the investment of this analysis. With more than \$5 billion in federal R&D tax credits distributed each year, we want to make sure your company is getting the benefits it deserves.

Marine-Related Activities that may Qualify for the R&D Credit?

New or Improved:

- ▶ Hull Designs
- ▶ Features or Functionality
- ▶ Lamination Schedules
- ▶ Fiberglass Cloth Analysis
- ▶ Powertrain Options
- ▶ Production Techniques
- ▶ Transportation Solutions
- ▶ Process Improvements
- ▶ Efficiency or Speed Improvements

Contact us today for a complimentary no-risk assessment of your R&D Tax Credit options.



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