Tax Credits & Incentives Advisory

Cherry Bekaert's Tax Credits & Incentives Advisory (TCIA) group is made of more than 50 professionals with extensive experience in the identification, quantification and documentation of tax credit and incentive benefits available to businesses. With a TCIA group comprised of CPAs, CMIs, attorneys, engineers and Internal Revenue Services (IRS) enrolled agents, we provide comprehensive support for your organization's tax credits and incentives opportunities.

Opportunities to monetize tax credits and incentives to an organization can include:

1. Performing **research and development (R&D) activities**
2. Purchasing or refurbishing commercial **real estate**
3. Investing in **alternative energy technologies** such as solar, wind, biogas and more
4. Refurbishing or building a **new industrial manufacturing facility**
5. Looking for a **new site and creating new jobs**
6. Looking to **lower its tax liability** by purchasing tax credits

Any of the above-listed activities can result in one or more federal, state and local tax incentives. Our TCIA team at Cherry Bekaert is here to help maximize benefits under these programs to help our clients lower their tax liabilities and enhance their cash position.

1. R&D Activity Tax Services

The R&D tax credit offers innovative businesses the opportunity to save money and generate cash to improve and expand operations, products and services. Taxpayers may qualify for benefits from multiple tax years (current and prior) to the extent they are developing new or improved products, processes (including manufacturing process improvements) or software designs. These benefits include:

- Incremental tax credit requiring a review of current year qualified research expenses (QREs) as well as prior year activities
- C corporations, S corporations, LLCs and partnerships can take advantage
- Credit benefits average between 8% to 14% of qualified wages, supply costs and contract research costs
- Cloud platform costs that support QRE activities may count as expenditures incurred during the R&D process (i.e., Amazon Web Services, Microsoft Azure, Google Cloud Products)
- Many states offer a variety of additional refundable incentives for R&D activities
- Tax credits provide a dollar-for-dollar reduction in tax liability
- Start-up companies can offset up to $500,000 of payroll taxes
- Minimize Section 174 capitalization requirements while maximizing credit benefits

2. Tax Credits & Incentives Available for Commercial Real Estate

Cost Segregation Tax Services

Cost segregation is a strategic cash tax planning tool that allows property owners to increase their cash flow through the acceleration of depreciation deductions and deferral of tax payments.

The process involves segregating a portion of the building into shorter lived assets. The ideal timeframe in which to conduct a cost segregation analysis is within the same year a building is constructed or an existing structure was purchased.

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However, this planning tool can also be implemented on a structure that was constructed or acquired several years earlier, thanks to the IRS catch-up provision that offers a taxpayer the opportunity to realize any missed depreciation without having to file an amended tax return.

A cost segregation study can benefit your business by:

- Identifying the viability of potential energy tax credits, deductions, rebates and exemptions
- Discovering potential personal and real estate property tax opportunities to save you money

Section 179D Energy Efficient Commercial Building Deduction

- Commercial and high-rise buildings qualify for the Section 179D deduction if the building receives energy-efficient improvements to the interior lighting, HVAC and hot water or envelope systems
- For property placed into service after December 31, 2022, the maximum available deduction is more than $5 per square foot for the building affected
- Energy tax deductions will directly reduce tax income in the year placed in service and the depreciation expense of the asset
- You can retroactively apply for the Section 179D deduction without amending previous tax returns

Section 45L Energy Efficient Home Credit

- Single family residences, apartment buildings, townhomes, condominiums, assisted living facilities, student housing and other facilities designed for individual(s) occupancy all qualify for the tax credit
- A preliminary design analysis and certification by certified the Home Energy Rating System (HERS) raters is required before and during construction
- For property placed in service after 2022, the maximum credit available is $5,000 per unit

3. Opportunities for Investments in Alternative Energy

Cherry Bekaert's Energy Tax Credits & Incentives team will help you identify and maximize tax credits your business may qualify for. We assess your organization's eligibility to receive business tax credits and incentives so that you are not leaving money on the table. The below list outlines energy tax credits that may be available to your business.

The Inflation Reduction Act (IRA) includes a range of energy tax credits designed to encourage transitioning to clean energy production, advanced manufacturing, adoption of clean vehicles (CVs) and reduced greenhouse gas emissions. Our team can investigate how the following incentives may apply to your business, or how you can sell these tax credits on the open market:

- **Section 48 Investment Tax Credit:** Allows eligible taxpayers to receive a credit for the energy percentage of the value of energy-related assets used during the tax year. This offers an immediate tax credit for investing in energy-related assets instead of spreading it out over multiple years. Base credit is 6% of the basis of the qualified energy property. Credit may be increased to 30% if project meets prevailing wage and apprenticeship requirements.
- **Section 45 Production Tax Credit:** Provides a tax credit for electricity produced from certain renewable resources and sold back to the grid, including wind, closed and open-loop biomass, geothermal, solar, municipal solid waste, hydropower and marine or hydrokinetic energy.
- **Section 48E Clean Electricity Investment Credit:** Allows eligible taxpayers to receive a credit for the energy percentage of the value of energy-related assets used during the tax year. This offers an immediate tax credit for investing in energy-related assets instead of spreading it out over multiple years.
- **Section 45Q Credit for Carbon Oxide Sequestration:** Provides a credit for carbon dioxide sequestration coupled with permitted end uses within the U.S. This credit is also eligible to be paid directly as a grant.

4. New Industrial Manufacturing Facility Tax Credits

Section 48C Advanced Energy Project Credit: This is a tax credit equal of up to 30% of your capital investment if you are:

(1) A manufacturer with expected investments in equipment in the next one to two years.

(2) A manufacturer producing and recycling property used in clean energy, sustainable practices or conservation.

(3) A manufacturer and re-equipping an existing facility to be more energy efficient. This is an application-based credit that requires a concept paper to be submitted to the Department of Energy before any credits are awarded.

Section 45 X Advanced Manufacturing Production Credit: This tax credit is applicable if you are a manufacturer of components used in the production of renewable energy facilities like solar, wind and battery storage.

Eligible Technologies

Investment Tax Credit

- Fuel cell
- Solar
- Geothermal (electric)
- Geothermal (heat pump and direct use)
- Wind
- Standalone energy storage
- Biogas
- Microgrid controllers
- Combined heat and power properties
- Municipal solid waste
- Tidal

Production Tax Credit

- Wind
- Biomass
- Geothermal (electric)
- Solar
- Small irrigation
- Landfill gas
- Hydropower
- Marine and hydrokinetic renewable energy
- Municipal solid waste
- Tidal

5. New Site Development and Job Creation Advantages

State Credits & Incentives (C&I)

Statutory Credit Review: Cherry Bekaert C&I experts will review tax returns, employee rosters and financial data to quantify:

- Job tax credits
- Investment tax credits
- Training benefits
- Pollution control and recycling credits
- Location-based tax credits
- Sales and use tax exemptions

Site Selection Services

Cherry Bekaert's State C&I team will develop a comprehensive location strategy based on your site requirements and business needs. Factors to consider include:

- **Credits and Incentives -** Statutory, discretionary, federal, state and local, special use, foreign trade zones and utilities
- **Tax and Cost Analysis -** Baseline state and local tax comparison, current and future policy changes, cost of doing business and cost of living
- **Labor Analysis -** Quality, quantity, wages, union presence and activity, market trends, workforce training resources and competitor analysis
- **Demographic Analysis -** Age, education, annual income, occupation, community characteristics and cultural and business service insights
- **Transportation Analysis -** International and domestic flights; commercial and passenger trains; alternative transportation; parking and freeway access

Negotiated Incentive Opportunities: Cherry Bekaert will review capital expenditure budgets, assess expansion plans and have discussions with economic development agencies about opportunities, including:

- Cash grants and refunds
- Property tax abatements
- Payroll rebates
- Training benefits
- Utility Incentives
- Infrastructure assistance and reduced land cost

New Markets Tax Credit (NMTC) Services is a competitive federal fund program used to expand projects in low-income communities and can provide:

- Substantial benefits to companies pursuing a capital expansion where jobs are being added
- Gap financing to fund the final 20% to 25% of the project's capital needs and be received in the form of a loan that can be canceled after seven years

Cherry Bekaert's Strategic Financing Services team has successfully closed more than $1.4 billion of NMTC allocations, demonstrating our broad range of project experience including community facilities, industrial manufacturing and distribution facilities and mixed-use real estate investments.

6. Lower Tax Liability Through Purchasing Tax Credits

Cherry Bekaert's Energy Tax Credits team can assist with careful analysis to guide our clients through the process of both buying and selling tax credits via the transferability rules under IRC Section 6418. Companies without a tax liability can receive a cash benefit by selling their tax credits, while companies with a tax liability may benefit by purchasing credits for less than the amount by which they will reduce their tax liabilities. We will consider the following factors as we help you prepare to sell or purchase tax credits:

- Any consideration the transferee pays for the credit must be in cash
- Under proposed regulations, the transfer election must be made for a specified portion on the basis of a single eligible credit property
- As a condition of any credit being transferred, the eligible taxpayer must complete a pre-filing
- Registration process and obtain a registration number for each eligible credit property covered by the election
- The eligible taxpayer must make the election on a timely filed original return for the tax year for which the credit is determined
- Any cash consideration paid by the transferee taxpayer is not included in the eligible taxpayer's gross income, and it is not deductible by the transferee taxpayer
- The transferee taxpayer cannot re-transfer the credit
- Once made, the election is irrevocable

Let Us Guide You Forward

Cherry Bekaert's TCIA practice identifies, calculates and documents incentives specific to U.S.-based activities for which the tax code has provided cashflow and permanent tax benefits for our U.S. businesses.

Martin Karamon, J.D., LL.M.
Partner, Tax Credits & Incentives Advisory Leader
martin.karamon@cbh.com

Vivian Kohrs, CPA
Director, Tax Credits & Incentives Advisory
Research & Development Tax Credits
vivian.kohrs@cbh.com

Melinda Young, CPA
Director, Tax Credits & Incentives Advisory
State Credits & Incentives
melinda.young@cbh.com

Carolyn Smith Driscoll, J.D., LL.M
Director, Tax Credits & Incentives Advisory
Research & Development Tax Credits
carolyn.driscoll@cbh.com

Timothy Doran, J.D., MBA
Director, Tax Credits & Incentives Advisory
Energy Tax Credits & Incentives
timothy.doran@cbh.com

Glenn LeMieux, MBA
Director, Tax Credits & Incentives Advisory
Cost Segregation Services
glenn.lemieux@cbh.com

Laurel Tinsley, J.D., LL.M.
Managing Director, Strategic Financing Services Leader
laurel.tinsley@cbh.com

About Cherry Bekaert

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