



CLARK SCHAEFER HACKETT
CPAs & BUSINESS CONSULTANTS
www.cshco.com

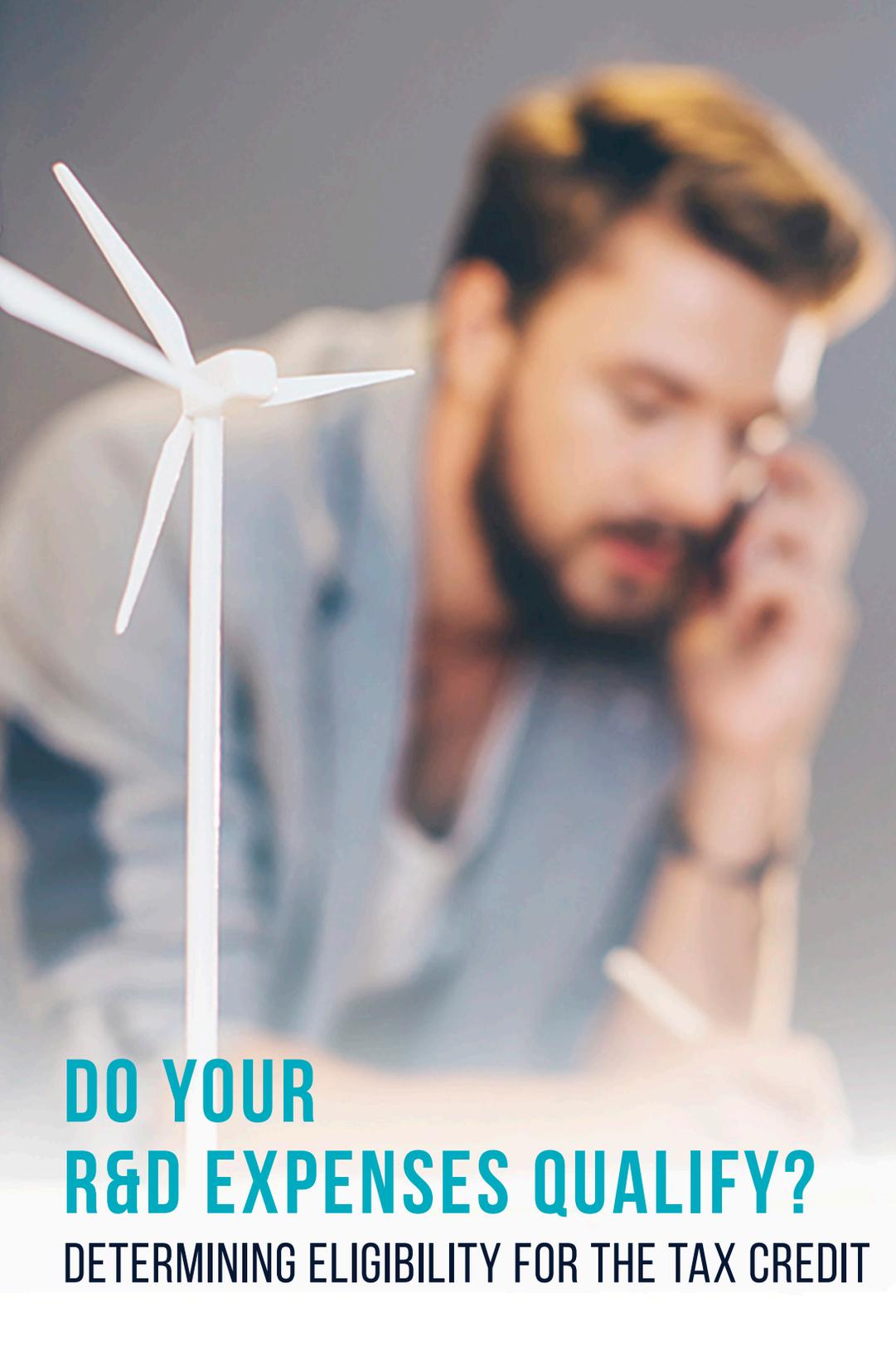
R&D TAX CREDIT E-BOOK

DON'T LEAVE MONEY ON THE TABLE

The research and development (R&D) tax credit is an incentive offered by the federal government (and many state governments) to spur companies to invest in and promote innovation in American business. However, many large and small companies qualify for – but don't take advantage of – this tax-saving benefit.

To make sure your company doesn't miss out on this profit boosting strategy, this guide was developed to help you determine your company's eligibility, provide an overview of the stages of an R&D study, and provide real life examples of companies that have benefited.





DO YOUR R&D EXPENSES QUALIFY?

DETERMINING ELIGIBILITY FOR THE TAX CREDIT

While the goal of the R&D tax credit is to help spur research, development and innovation in American business, the government is certainly not handing these credits out on a silver platter. They have purposely set the bar high. To be claimed, the R&D activities you have funded must pass all four of the following qualifications:

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- 1 The activity/project must intend to create a new or improved business product or process
 - 2 There must be technical uncertainty (the activity is intended to eliminate this uncertainty)
 - 3 There must be a process of experimentation
 - 4 The activity/project must be technological in nature
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If the above standard can be met, then documenting your qualifying activity is important, because it will be needed for your credit application. Keep diagrams, spreadsheets and all notations of experimentation. Your reporting should include the time of any employee actively involved in research and development, down to the project they are working on and when they work on it. For instance, you can utilize 100 percent of a person's wages toward the credit if you can demonstrate that at least 80 percent of their time is spent on qualified R&D. As you document your initial activities, simultaneously establish internal procedures that track, record and verify all future qualifying expenses so that you can validate future credits.

THREE STAGES OF AN R&D STUDY



Once you've determined that your company may be eligible for the R&D tax credit, your Clark Schaefer Hackett advisor will help guide you through the three stages of an R&D study:

STAGE ONE: ASSESSMENT AND FEASIBILITY

1 This no-cost stage of service offers your business a risk-free way to examine your opportunity to capture R&D credits. Specialists review your projects, departments, processes, and technologies in light of eligibility standards. Your documentation of research expenditures is evaluated for conformity to current requirements. Then your projected tax savings will be estimated so you can evaluate moving ahead with tier two, a full R&D study.

STAGE TWO: DESIGN AND IMPLEMENTATION

2 You'll receive a detailed work plan for an R&D study tailored to your business. The implementation strategy will include interviewing company personnel, analyzing contemporaneous documentation, linking personnel and projects to finalize the quantitative calculation, and gathering documentation. This phase entails a full analysis of technical issues related to qualified R&D projects, detailed collection of eligible expenditures, documentation of qualifying expenditures and calculation of federal and state tax credits.

STAGE THREE: REPORT DELIVERY

3 You will receive a detailed report including the R&D study methodology, which will serve as your documentation to support the R&D tax credits you claim. We'll also prepare your required, amended tax returns. The R&D report is designed and organized to provide a clear audit trail for the IRS or state taxing authority.

SO IS ALL OF THE HASSLE REQUIRED TO CLAIM THE CREDIT WORTH IT?

While claiming the credit can be complicated, companies in a variety of industries have found that the benefits of tackling the credit study, and the subsequent application process, far outweigh the costs and complication. Below is an overview of some of the R&D tax credit studies we've recently conducted for clients.

INDUSTRY	COMPANY REVENUE	R&D TAX CREDITS CLAIMED
Foundry / Pattern Shop	\$60 MM	\$2,400,000
Custom Machine Builder	\$8 MM	\$168,000
Cabinet Manufacturer	\$63 MM	\$362,000
Nutritional Supplements	\$18 MM	\$218,000
Metal Fabricator	\$12 MM	\$150,000
Tool & Die Shop	\$22 MM	\$625,000
Software Development Company	\$7 MM	\$800,000
Injection Molding Company	\$100 MM	\$5,500,000
Job Shop / Manufacturing Company	\$15 MM	\$400,000





WHAT ARE THE NEXT STEPS?

Taking advantage of the R&D tax credit can be complicated, that's why it's important to work with an advisor with deep knowledge and experience who can guide you throughout the process. At Clark Schaefer Hackett, we reduce the risk and burden to your company by offering a no-cost feasibility assessment to help determine whether your company could qualify for and benefit from conducting an R&D tax credit study.

CALL 614-468-6644 OR CLICK THE LINK BELOW FOR MORE INFORMATION OR TO SCHEDULE YOUR ASSESSMENT WITH ONE OF OUR TAX ADVISORS.



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COMPANY BENEFIT?
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