

## The 2-minute drill with R&D Credit.

Tax departments don't have a lot of time. There is quarter end, yearend, and not to mention constantly working on financial reporting. It's difficult to review and reflect on a business tax profile, let alone on possible new incentives, or even if currently claimed incentives could be increased.

Taking a cue from football, let's go through a 2-minute drill with the Research and Development Tax Credit (R&D). 2 minutes is all a football team needs to score before the half or end of the game. So, teams have a 2-minute strategy or drill to use these moments to extend their lead or win. It's usually the most exciting part to watch. A team doesn't have time for long, intricate plays. Fast and focus is their only plan if they want to score.

R&D has a lot of details with plenty of legislative and court history. But someone doesn't need to know all the details to grasp whether a business can apply for R&D, or possibly increase the amount of benefit. Let's take 2-minutes and point to key areas.

### **Be Engaged: Your business can probably benefit from the R&D Credit**

R&D is not just for large technology corporations, but also for small to medium businesses. From one hundred thousand dollars to multiple millions, all sizes of companies have received benefits from R&D. The same is true for the types of industries that can qualify. Businesses within various industries have all successfully claimed credits: Utility, Construction, Manufacturing, Retail, Transportation, Finance, Real Estate, Mining, and Agriculture companies.

Don't think that to qualify for R&D a business must fit into a certain size or particular industry. What is important is whether a business has work that qualifies.

### **Be Focused: The essential elements of the R&D Credit**

Too many times businesses will avoid applying for R&D because of the complexity. But the key aspects are straight forward. R&D reduces a business' tax liability for expenses connected to R&D work or qualified activities. These expenses are employees' wages, supplies used in research, and any contractors used to help with research activities.

The most important part is knowing whether a business has work that is qualified. With qualified activities, here is the most important questions a business can ask: Do they have an engineering or technical staff? And is that technical staff improving products or services for customers? If there is an engineering staff who helps make products for customers and they consistently improve these products every year, then the business should explore filing.

Focusing a little more on the technical staff. With any new or improved product, the technical staff will have a process, containing elements of design, development, testing, and redesign. This process usually has been standardized but adjusts based on the unique challenges for each project. This technical process is the core of what qualifies for R&D.

A business that needs a technical staff to make new or improved products or services for their customers has usually met the essential elements of R&D qualification.

### **Be Aware: Important areas where your business can increase its R&D Credit**

Another roadblock might be whether the tax reduction will be worth the effort. Why go through the effort if a business only has four engineers? That can't generate that much tax credit. It is important to remember R&D qualifies more than just the engineers connected with qualified work.

Without the supervisors and support staff most projects can't move forward. These supervisors and support staff should be included in R&D. Businesses need to consider all activities outside of engineering that contribute to the lifecycle of the project. Most projects have Sales, Project Management, Operation, and Quality Assurance departments involved, and without them the project could not be completed. The Engineering staff is just the beginning of expenses that business can included; it's not the end.

R&D is successfully claimed by businesses big and small, in a variety of industries outside of technology and manufacturing. Businesses qualify because they the make and improve products or services for their customers. They have an engineering or technical staff focused on making new and improved products, with the support of other departments necessary to complete it.

If a business has this fact pattern, they should explore filing for R&D.

Is there more to R&D? Yes. But these are the most important areas to determine whether a business can make a successful claim that will offer a benefit. 2 minutes might not be enough time say everything, but it is enough to convey the most important parts of R&D and win a football game.