



Research & Development (R&D) Tax Credits



Recent federal rules have made it clearer and have eased the reporting requirements for how companies can qualify for research and development (R&D) tax credits. The prior notion that you had to have a laboratory in the back room, with employees wearing white gowns and resembling Albert Einstein is no longer the case.

Qualifying Activities. If your company engages in one or more of the following activities, you may profit from a Freed Maxick & Battaglia R&D Tax Credit Study:

- Manufacturers tangible products or make improvements to product or processes
- Develop new or improved software applications for internal or external purposes.
- Develop new or improved processes for producing goods.

Certain Criteria Must Be Met.

A company may be able to claim the credit providing that they are conducting research in the U.S. and if they meet the four following criteria:

Permitted Purpose: The activity must result in a new or improved function, product, process, performance, reliability, quality or significant reduction in cost.

Elimination of Uncertainty: Were the activities conducted and intended to discover elimination of uncertainty concerning the development of improvement of a product?

Technical in Nature: Does the research fundamentally rely on hard sciences?

Process of Experimentation: Does the activity involve the development of one or more hypotheses for specific design decisions, testing and analyzing those hypotheses, and refining and discarding the hypotheses?

Qualifying Costs. Among the cost that qualify for the credit are:

- W-2 wages for employees engaged in the qualified research activities.
- Non-capitalizable materials and supplies.
- 65% of costs of contracted research.

R&D Study.

Freed Maxick's R&D Tax Credit Study is a technical assessment of your activities. Our tax professionals identify expenditures that qualify for the R&D tax credit included under both federal and state codes. Activities for open tax years, typically the past three years, are analyzed to determine eligibility. When necessary, we amend any tax returns that qualify to receive the credit.

For more information, contact:

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