



The R&D Tax Credit for Small Businesses

Is your business missing out on this additional source of cash flow?

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What will be covered today?

- **How can the R&D Credit provide additional cash flow?**
 - An introduction to the R&D Tax Credit
- **What companies can claim?**
 - Industries
- **What can be claimed?**
 - 4 Part Test
 - Qualifying Expenses
- **How do I claim the R&D Tax Credit?**
 - Best Practices to Ensure Long-Term Success
- **Q&A**

How can the R&D Credit provide additional cash flow?

An Introduction to the Credit

Payroll Tax Credit

- Federal incentive for startups/younger companies
- Reduces payroll tax liability on a dollar for dollar basis
- Can only be claimed in the current year

R&D Tax Credit

- Reduces income tax liability on a dollar for dollar basis
- Can be claimed in the current tax year and retrospectively for the 3 prior years
- 20 year carry forward
- Most states, but not all, have an R&D Credit



What companies can claim?

Manufacturing

- CNC Milling & Programming
- Automation
- Automotive
- Packaging
- Plastics
- Textiles
- Tools & Die
- 3D Printing & Programming
- Plastic Injection Molding
- Transportation (Logistics & Distribution)

Engineering

- Aeronautical/Aerospace Engineering
- Marine/Maritime Engineering
- Civil Engineering
- Defense Engineering
- Electrical Engineering
- Mechanical Engineering
- Biochemical Engineering
- Chemical Engineering

Software & Technology

- Fintech
- E-commerce
- Creative Entertainment/Gaming
- Cyber Security
- Telecom
- Machine Learning
- Satellite & Military Communications

Sciences

- Biotech
- Pharmaceuticals
- Medical Devices
- Food & Beverage Science/Production
- Environmental Science
- Chemical
- Cosmetics
- Composites
- Physics
- Metallurgy
- Nanotechnology

Construction

- BIM/CAD
- Facilities Management
- Architecture
- Design
- Land Remediation

Energy

- Renewables
- CleanTech
- Biofuels
- Oil & Gas

Agriculture

- Animal Health
- Arable Farming
- Pastoral Farming

What can be claimed?

4 Part Test

1. New or improved product, process, technique, formula, software, etc.
2. Technological in nature (application of hard science principles)
3. Process of experimentation, where alternatives are evaluated
4. Elimination of uncertainty



What can be claimed?

Qualifying Costs

- **Salaries** of those directly involved, directly supporting and directly supervising
- **Contract research** claimed at 65%
- **Basic research** paid to eligible small businesses, institutions of high education and federal laboratories
- **Raw materials and supplies** used to conduct the research
- **Computers** externally leased for conducting research



How do I claim the R&D Credit?

Best Practices to Ensure Long-Term Benefits

- Building the R&D Credit into your financial plans year after year!
- Understanding the IRS legislation thoroughly to ensure you responsibly adhere to the guidelines.
- Properly calculating base period years and including all eligible expenses in accordance with IRS regulations and case law.
- Preparing information to support your claim(s) through a substantiated report.
- Tracking relevant financial and R&D information in real-time.



Questions?

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