



Hidden Tax Opportunities For Engineering Firms

ENGINEERING FIRMS who perform design services often don't realize they qualify for the research and development tax credit. Since 2016, it's become much easier to utilize this credit. Many CPA firms are missing this opportunity simply because they are not familiar with the details.

**RESEARCH &
DEVELOPMENT
TAX CREDIT**

RIVERO, GORDIMER & COMPANY, P.A.

RESEARCH & DEVELOPMENT TAX CREDIT

The research & development tax credit was established to encourage investment in research and innovation, which helps advance the U.S. economy.

RIVERO, GORDIMER & COMPANY, P.A. (RGCO) has helped many of our engineering clients use the research and development credit to:

- ✓ Reduce taxes owed
- ✓ Increase cash flow
- ✓ Help grow the business



RESEARCH & DEVELOPMENT TAX CREDIT

MUST MEET ALL CRITERIA TO QUALIFY

1.

The activity must be technological in nature.

The activity must be based on principles of the following hard sciences: engineering, computer science, physical science, biological science.

2.

The activity must be for a permitted purpose.

The activity must involve the creation of a new or improved level of: function, performance, reliability, quality, durability, cost reduction.

3.

The activity must involve the elimination of uncertainty.

The activity must explore what was not known at the start of the project: capability uncertainty, methodology uncertainty, design uncertainty.

4.

The activity must involve a process of experimentation.

All the activities must include elements: evaluating one or more alternatives, performing testing or modeling, examining and analyzing/refining/abandoning hypotheses.

There are four criteria which are considered when qualifying for research and development activity. Each activity must meet the four-part test to include the related salaries, supplies and/or contract research in the calculation of the tax credit.

Engineering Firms Who Perform Design Services with a Fixed Fee Contract Arrangement May Qualify for the Research and Development Tax Credit.

Amounts paid for salaries, contract research, supplies, and computer leasing could all qualify for the research and development tax credit.

The credit is dollar-for-dollar, which is applied directly against the company's or owner's federal tax liability. If you cannot use the credit in the current year, the research and development credit can be carried forward for up to 20 years.

Taxpayers can also claim the research and development tax credit retroactively by filing amended returns for the past three years. Also, new or small businesses may be eligible to apply the research and development tax credit against their payroll tax for up to five years. The payroll tax offset allows companies to receive a benefit even if they are not profitable.



RESEARCH & DEVELOPMENT TAX CREDIT

OVER THE LAST YEAR RIVERO, GORDIMER & COMPANY HAS:



Helped numerous clients amend prior tax returns,
resulting in refunds in excess of \$100,000



Advised clients about capturing research & development
expense activity



Helped identify qualified hours in clients' time tracking systems



Assisted with research & development studies

Rivero, Gordimer & Company

STRENGTH IN NUMBERS SINCE 1983



About the Author:

Jonathan E. Stein joined Rivero, Gordimer & Company in 2000 and began practicing public accounting. Mr. Stein is a shareholder in the audit and assurance practice in the Firm with extensive experience in various commercial and not-for-profit industries.

Mr. Stein's commercial experience includes clients in the construction industry, numerous subcontractors, manufacturing, engineering firms, and employee benefit plans. Mr. Stein's not-for-profit experience includes organizations that require Federal and State Single Audits.

At RGCO, we provide exceptional service by partnering with our clients to share new ideas, leverage technology, streamline work flows, and provide strategic tax guidance for greater success. Our team approach provides expertise with:

- ✓ FDOT Overhead Rate Audits
- ✓ FAR Rate Planning
- ✓ Cash Flow & Inventory Planning
- ✓ Multi-Year Contract Planning
- ✓ Surety Bond Underwriting

