

Does your financial services project qualify for the R&D tax credit?

Financial services is one of the industries most likely to benefit from the federal research tax credit, or R&D tax credit, which is designed to reward companies for increasing investments in research and development. Yet, many banks and FinTechs don't realize they may qualify.

If you are improving processes, or developing new or improved software or other products, those projects may be eligible for the R&D tax credit. This dollar-for-dollar offset of federal income or payroll taxes paid or owed can potentially save you thousands of dollars. It can be applied in a variety of ways, including to future and past income tax liabilities and, for some startups, to payroll taxes.

Examples of bank and FinTech activities that might qualify for the research tax credit:

- Certain **process improvements**, including automation of existing manual processes – such as for anti-money laundering/ Bank Secrecy Act compliance, processing transactions or reporting
- **Developing tools** to enhance data protection and cybersecurity
- Developing **online/mobile banking** applications or web services
- Redevelopment of **banking software** for a cloud-based environment
- Development of **new algorithms** or editing of old algorithms to improve areas such as operations or compliance efforts
- Development, design, building and testing of **new applications**, platforms or systems, or of new capabilities for existing ones
- Designing/developing **new architecture** to improve a system's performance, maintainability, stability, reliability, etc.
- **Advances to communication** protocols, data transmission speed between systems or APIs
- **Testing** of systems being developed
- **Development of software** proofs-of-concept or prototypes

R&D expenses that might qualify include:

- Wages for the R&D team, including software, hardware, systems or application developers, engineers, programmers or architects
- Wages for managers directly overseeing R&D-related projects
- Contract research expenses
- Cloud-based environments used for R&D

Does your research and development work qualify for the R&D tax credit?

If you can check off at least one item from each list below about your R&D project, your company's work may qualify.



Research aims to develop a **new or improved component** that your company sells or uses that falls into one of these categories:

- ☐ Product
- ☐ Process
- ☐ Technique
- ☐ Formula
- ☐ Software
- ☐ Invention



It aims to lead to development of something **new or an improvement** in one of these areas:

- ☐ Performance
- ☐ Functionality
- ☐ Reliability
- ☐ Quality



Research activities are performed to **eliminate a technical uncertainty**, identified at the onset of the project, related to one of the following:

- ☐ Capability of achieving the development or improvement of the component
- ☐ Methodology by which the development or improvement will be made
- ☐ Appropriate design of the component



At least 80% of research activities in the project followed a systematic process of **experimentation** that evaluates alternatives through one or more of these activities:

- ☐ Modeling
- ☐ Simulating
- ☐ Testing/experimenting
- ☐ Prototyping
- ☐ Technological or scientific evaluation



The process of experimentation is technological in nature and **relies on one or more of the hard sciences:**

- ☐ Biological Sciences
- ☐ Chemistry
- ☐ Computer Science
- ☐ Engineering
- ☐ Geology/Earth Sciences
- ☐ Mathematics
- ☐ Physics

Learn more about the R&D tax credit

Kaufman Rossin's R&D tax professionals have years of experience helping businesses qualify for and capture research credits. With backgrounds in engineering and tax expertise, our team combines technical savvy with deep experience in your industry to guide you through the process. Contact a member of Kaufman Rossin's Tax Credits & Incentives team to learn more about how your business may benefit from the R&D tax credit.