CHECKLIST

Does your R&D project qualify for the federal research tax credit?

Many companies don't realize they can take advantage of the federal research tax credit, or R&D tax credit, to reduce their tax liability. Designed to reward companies for increasing investments in research and development, the credit may potentially be used by any company that is developing new or improved products, software or manufacturing processes. A dollar-for-dollar offset of federal income or payroll taxes paid or owed, it can potentially save you thousands of dollars and can be applied in a variety of ways, including to future and past income tax liabilities and, for some startups, to payroll taxes.

Industries most likely to benefit from the R&D tax credit

- Aerospace
- Agriculture
- Architecture & Engineering
- Biotech
- Financial Services (for IT-oriented projects)
- Fintech
- Food & Beverage
- Healthtech
- Manufacturing
- Medical Device Development
- Pharmaceuticals
- Software Development
- Technology
- Video Game Development

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

- Developing new tangible goods, products or software
- Developing new functionalities or improved performance or quality of existing software or products
- Development of proofs-of-concept or prototypes
- Certain process improvements, including automation of existing processes
- Experimenting with new materials for use in product development
- Redevelopment of software for a cloud-based environment
- Advances to communication protocols, data transmission speed between systems or APIs

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.