

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

Healthcare 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 healthcare companies don't realize they may qualify.

This dollar-for-dollar offset of federal income or payroll taxes paid or owed can potentially save your organization 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. Qualifying research does not have to be new the industry – just new to your company.

Examples of healthcare-related activities that might qualify for the research tax credit include developing new or enhanced:

- **Software applications** for telemedicine, delivery of healthcare management, patient engagement, or compliance with HIPAA or other industry standards
- **Electronic medical record** solutions
- **Payer/provider** analytics or data tools
- **Internet of Things (IoT)** devices for medical uses
- **Communications** protocols, APIs and other methods of sharing information between systems

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

- Developing new drugs and therapies
- Developing techniques and processes to manufacture novel drugs
- Improving the efficacy and safety of certain drugs or medical devices
- Conducting clinical trials in the U.S.

R&D expenses that might qualify include:

- Wages for software, hardware, systems or application developers, engineers, programmers or architects
- Cloud-based environments used for R&D
- Wages for lab or maintenance technicians, clinical support specialists, drug safety specialists, data analysts and others
- Contract research expenses

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.