



# Research & Experimentation Tax Credit

## MAXIMIZING TAX CREDITS: ARE YOU MISSING OUT?

Are you taking advantage of all the tax credits available to you? Many companies may not be aware of certain credits that can generate significant cash flow by reducing income tax or payroll tax liabilities.

The Research & Experimentation (R&E) Tax Credit is one such opportunity, designed to encourage and reward domestic companies for creating new or improved products, processes, techniques, formulas, inventions, or software. By allowing a credit to offset some of the upfront wage and supply costs associated with research activities, the government offers a powerful incentive for innovation.

## WHO CAN CLAIM THE R&E CREDIT?

Any company in any industry could potentially qualify for the R&E credit, provided the activities meet a four-part test. The research activity must:

- **Serve a permitted purpose**, focusing on creating or improving products, processes, techniques, formulas, inventions, or software, rather than making cosmetic changes.
- **Be technological in nature.**
- **Involve a process of experimentation.**
- **Aim to eliminate uncertainty** regarding design, capability, or methodology.

## COMMON MYTHS ABOUT THE R&E CREDIT

Despite its potential, many companies mistakenly believe they don't qualify for the R&E credit due to several misconceptions:

- Myth #1:** Only companies that invent something revolutionary can qualify.
- Myth #2:** The credit is only for basic research.
- Myth #3:** It's only for profitable companies.
- Myth #4:** It's limited to large corporations.
- Myth #5:** The credit doesn't reduce state taxes.
- Myth #6:** Government-funded research disqualifies a company.

## HOW CAN SEK HELP YOU CLAIM THE R&E CREDIT?

In recent years, the guidelines surrounding the R&E credit have become clearer, allowing more companies across a wide range of industries to qualify. These industries include manufacturing, wineries and breweries, tool and die, pharmaceuticals, agriculture, and software development. While manufacturing is the most common industry that qualifies, businesses in other sectors should also explore their eligibility.

SEK's team of advisors can assist you in claiming this lucrative tax credit by:

- Identifying activities that pass the four-part test to qualify as research.
- Pinpointing qualifying expenses related to these activities.
- Providing a study to support the credit calculation and ensuring adherence to

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IRS documentation requirements.

Offering audit defense if the IRS challenges the credit.

Consulting on how to best utilize the credit.

Performing a complimentary analysis to determine if your company qualifies for the credit in any prior year within the statute of limitations.

Video: R&E Tax Credit Benefits

### **TAKE THE NEXT STEP**

To learn more about how you can benefit from the R&E Tax Credit, schedule a consultation with our Team Leader, Angela Quigley.

*Visit [www.sek.com](http://www.sek.com) for more information or to schedule a consultation today!*