



R&D Tax Credit Services

The R&D tax credit provided by Internal Revenue Code Section 41 has been the primary federal income tax incentive for conducting research and development activities in the United States since its enactment in 1981. Renewed and extended for the calendar years 2012 and 2013 as part of the American Taxpayer Relief Act of 2012, the R&D tax credit provides a direct offset against income tax expenses in an amount equal to a statutorily prescribed percentage (6 percent – 20 percent) of qualified research expenditures incurred during a tax year.

We will conduct a review of your operations to identify potential qualified research activities to determine if you are a candidate for the R&D tax credit. Companies involved with the development of new or improved products, manufacturing techniques or production processes are likely to benefit. The cost of labor, employee wages and contract labor costs, along with supplies incurred as part of a research and development initiative, may be considered qualified research expenditures.

Four part test companies must satisfy to meet the R&D tax credit requirements:

- 1 The research and development activities must be “technological in nature” by virtue of relying on some element of the principles of engineering, physical or biological science or computer science.
- 2 The activities must be intended to result in a new or improved process, function, product, performance, reliability, quality or significant reduction in cost.
- 3 The activities must be undertaken in order to eliminate uncertainty with respect to the appropriate design, method or approach for improving the item subject to development.
- 4 Substantially all of the activities must represent elements of a “process of experimentation.” For purposes of the R&D tax credit, a process of experimentation is any development approach that is capable of analyzing more than one hypothesis or design alternative.

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