



Research & Development Tax Credit

DISCOVER YOUR TAX SAVINGS



CTI

Corporate Tax
Incentives



What Are R&D Tax Credits?

The federal Credit for Increasing Research Activities – or more commonly, the R&D tax credit – works to inspire and reward innovation through reductions in an organization’s tax liability.

The government grants dollar-for-dollar tax credits to businesses that conduct qualified research and development activities related to developing new or improved processes, products, techniques, formulas, software, or invention.

Can My Business Capture R&D Credits?

Companies often overlook R&D tax credits. The words “research and development” tend to elicit misconceptions that only high-tech and other research-heavy industries – such as software and pharma – engage in eligible activities.

However, any business, in any industry, that conducts qualifying R&D activities can claim the credit.

PROGRAM OVERVIEW



It spurs innovation that creates jobs and helps the U.S. remain competitive



It delivers a dollar-for-dollar reduction in a company’s federal tax liability



It grants a tax credit up to 20% of qualified research and development expenses

Call 866-444-4880 for a CTI tax professional.



Expanding the Reward

When the government first introduced the R&D tax credit, the mandates required a business to seek information new to the industry or broaden the current knowledge of a field to qualify. However, it soon became evident that less constraining criteria would benefit businesses and our economy. To that end, the government replaced the restrictive ‘discovery test’ with more inclusive regulations.

The government rewards technical approaches to problem-solving for which the solution doesn’t need to be ground-breaking or new to the industry, just new to the company.

Start Small, Get Big Savings

Even startup companies that have yet to turn a profit and pay income tax can garner savings from R&D credits with the corporate payroll tax offset provision. If the new business has rendered less than \$5 million in gross receipts for the tax-claim year, they can qualify for up to \$250,000 in credits.

R&D CREDIT FACTS



Annually **16,600+** companies report over **\$15 million** in federal R&D tax credits



...but less than **10%** of corporations under **\$100 million** in revenue claim R&D tax credits



Credit claims are **not limited** to a specific industry

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What Activities Qualify for R&D Credits?

QUALIFIED ACTIVITIES

- ✓ Concept development
- ✓ Feasibility evaluation
- ✓ Specification design
- ✓ Experimental prototypes development
- ✓ Design test and execution
- ✓ Design refinement
- ✓ Beta testing
- ✓ Prototype refinement
- ✓ Technical design reviews
- ✓ Technical meetings
- ✓ Technical writing
- ✓ Research documentation preparation
- ✓ Direct supervision/support of research

INELIGIBLE ACTIVITIES

- ✗ Training
- ✗ Routine maintenance
- ✗ Activities conducted outside the U.S.
- ✗ Activities in social sciences, arts, and humanities
- ✗ Research after commercial production
- ✗ Advertising or promotional activities
- ✗ Marketing or market research
- ✗ Reverse engineering
- ✗ Funded research (grants and contracts)
- ✗ Selling existing products
- ✗ Routine data collection
- ✗ Activity related to management techniques
- ✗ Adapting or duplicating an existing business component
- ✗ Travel, admin, and other general costs

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What Are the Requirements for Qualifying Activities?

✓ Business Component

The activities to develop an improved business component are related to a new or improved function, performance, reliability or quality, which will be “held for sale, lease, or license” or used by the taxpayer in its business.

✓ Elimination of Uncertainty

The activity must be intended to discover information to eliminate uncertainty regarding the capability or method for development or improvement of the business component, or the appropriate design of the business component.

✓ Process of Experimentation

The activity must involve some process of experimentation to eliminate technical uncertainty and must include evaluating alternative designs, testing hypotheses, and systemic trial and error.

✓ Technological in Nature

The activity must fundamentally rely on principles of physical, biological, computer, or engineering science.

If your R&D activities clear these four requirements, you’re on your way to saving valuable tax dollars that your business can use to help fund further innovations and improvements.

DID YOU KNOW...



A **business component** is defined as a product, process, computer software, technique, formula, or invention.

R&D CREDIT SUCCESS



ENGINEERING FIRM

\$4M/YEAR

AVG ANNUAL REVENUE

\$240,000

TOTAL FED/STATE CREDITS

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What Eligible Activity Expenses Can I Claim?

Though the process of identifying and substantiating R&D expenditures is challenging, eligible expenses incurred through research and development activities generally fall into these categories:

Qualified Research Expenses (QREs)

Salaries & Wages

- ✓ Wages for employees directly conducting research activities
- ✓ Staff participating in direct support of research activities
- ✓ Salaries for executives and those in first-level supervisory roles in direct support of research

Supply Costs

- ✓ Materials and equipment consumed or used during research and experimentation
- ✓ Excludes general administrative supplies

Contractor Cost

- ✓ 65% of contractor expenses for qualified research activities

Rental or Lease of Computers

- ✓ Payments to cloud service providers for server space to improve business components

PROVEN PROCESS



PHASE 1:

PLANNING & FEASIBILITY

Review business data and interview key personnel about their team's R&D activities.



PHASE 2:

CALCULATION & TAX FORMS

Analyze R&D activities, quantify QREs, calculate credits, secure supporting documents, and complete tax forms.



PHASE 3:

STUDY REPORT & SUPPORT

Deliver a comprehensive study with a final report supported by proper legal authority and client source documents.

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Why CTI?

Our Credit Accuracy & Audit Sustainability

- ✓ Studies go through three levels of review: two at project level, one separate from study activity.
- ✓ Project review is based on standard IRS 19-point Information Document Request.
- ✓ Analysis, support, and source data are readily accessible for credit support inquiries.
- ✓ Obtain filing and credits accuracy that only a specialist can deliver.
- ✓ Audit support is a standard service, nothing extra to pay, everything to gain.

Our Unparalleled Service

- ✓ Expert line-up of experienced professionals: attorneys, CPAs, engineers, scientists, software developers, and project managers.
- ✓ Robust in-house software that delivers the most accurate reporting and analysis for maximum credit capture.
- ✓ Dedicated, personalized service in a way that says this more than our job, this is our passion.

CTI'S VALUE



DEDICATED PROS

Attorneys, CPAs, engineers and scientists experienced with large consultancy firms and federal/state agencies.



WORKFLOW AUTOMATION

We optimize efficiencies and produce quality studies with our in-house software that's built for structured workflow.



PROACTIVE MANAGEMENT

Each project bears unique challenges, and we actively attune to extract maximum benefits.

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Elevate Your Business with R&D Tax Credits

Many companies are surprised to find out they are eligible for tax credits. In fact, there is a good chance that your direct competitors are leveraging R&D tax credits to increase their bottom line and fund initiatives for growth.

Why not get your share? Since 2001, CTI has been doing the work for small and medium-sized businesses to secure R&D tax credits that help drive innovation and opportunity for our clients.

Are you interested in learning more about federal R&D tax credits and discovering your tax-saving potential? Contact a CTI tax consultancy specialist today at 866-444-4880.



“CTI identified almost \$2 million in R&D tax credits over three years. We’ve built a rapport and consistent methodology with CTI that makes for an efficient study process and credit amounts beyond our expectations.”

JEFF MARSHALL, CEO &
COFOUNDER, CROSSINSTALL



Powering the Success of Your Business

CTI is a tax incentives specialty firm that partners with businesses and their CPAs to secure greater tax credits with our proven project methodology and unparalleled personalized service. Since 2001, our elite tax professionals have proactively engaged clients to deliver unmatched value with transparency and efficiency through secure in-house software, comprehensive audit-ready deliverables, and 24x7 access to real-time dashboards. Partner with CTI, tax consultancy experts passionate about maximizing credits and incentives for powering the success of your business.

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CONNECT

