



Research and Experimentation Tax Credit Overview

Understanding and taking full advantage of the Research and Experimentation (R&E) Tax Credit can provide permanent cash tax savings to qualified companies, increasing the return on Research and Development (R&D) investments. The credit is designed to encourage and support U.S. businesses committing resources to the development and improvement of domestic products and processes. As opposed to R&D deductions, R&E tax credits are actual dollar-for-dollar credits, which offset federal and state income taxes and are available to businesses of any size involved in R&D activities.

Many companies are not aware of the broad scope of activities that qualify for these credits, thereby leaving money on the table. Evolving statutes, Internal Revenue Service (IRS) regulations, and court cases continue to create R&E tax credit opportunities for an ever-widening range of qualified businesses. Beyond product development, incentives are applicable to manufacturing efficiencies, environmental enhancements, software developments, quality improvements, and other non-traditional R&D activities.

The numbers are substantial. R&E tax credits in excess of \$9 billion are claimed annually at the federal level alone. Businesses taking full advantage of these credits can recapture up to 20% of increased R&D expenditures. In years where the statute of limitations is open, there are often further opportunities to claim credits and obtain significant cash refunds or offset other defined withholdings. Additionally, most states offer similar tax credits, thereby allowing taxpayers to benefit from the same investment in R&D expenditures in multiple jurisdictions. Ryan helps clients navigate the complexities and mitigate the risks of the R&E Tax Credit program, enabling businesses to remain innovative and profitable.

Three-Phase Comprehensive R&E Credit Study

PHASE

1

- Evaluate R&E activity within the company
- Identify all sources of Qualified Research Expenses (QREs)
- Determine in which of the open periods credit claims are viable
- Analyze the benefit or risk of claiming amended returns
- Deliver the credit estimate and subsequent work plan for Phase 2

PHASE

2

- Perform in-depth review, analysis, and documentation of the credit claim
- Develop the required nexus, even if no project accounting exists
- Review and compile documentation
- Calculate and support federal and/or state credit claims

PHASE

3

- Present stratified QRE risk analysis and supporting information
- Facilitate finalization of client-selected viable claims based on risk tolerance
- Provide strategies to further maximize credit opportunities in future years
- Provide audit and appeal defense, as necessary



Businesses that engage in the following likely qualify for the R&E tax credit:

- Developing new, improved, or more reliable products/formulas
- Developing or improving production or manufacturing processes
- Developing prototypes or models
- Performing technical feasibility analysis
- Performing reliability, certification, or environmental testing
- Using third-party contractors or consultants
- Incurring software development fees

R&E Tax Credit Services

Review of Prior Credit Claims

Ryan's team of tax professionals meticulously reviews existing Qualified Research Expenses (QREs) for both federal and state credit claims in current and past periods to ensure all qualified expenses were properly identified and documented. Our wealth of experience in identifying often overlooked R&D activities means greater benefit for our clients, while protecting against audit exposure.

Comprehensive R&E Credit Study

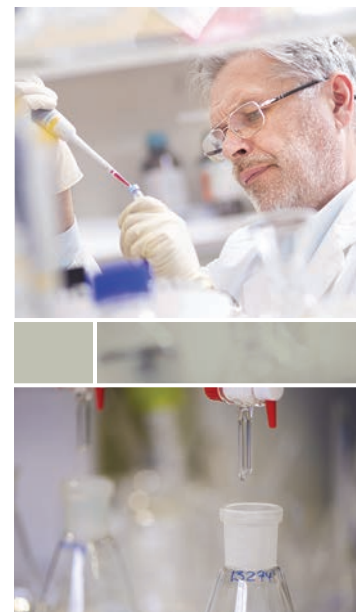
With efficient and thorough methodologies that gather in-depth information with minimal disruption to our clients, Ryan accurately executes the three-phase credit process from start to finish at both the federal and state levels. We are able to develop and document nexus between qualified activities and costs, even where no accounting exists. We also stratify QREs by risk, so clients can determine their individual risk tolerance. Even in circumstances where a client is generating operating losses and cannot currently take advantage of the R&E tax credit at the federal level, the state credits are often still applicable and beneficial. Some states offer refundable credits or other ways to monetize the credit (for example, against payroll withholdings).

Audit and Appeals Support

Inclusive in Ryan's Credit Study Service, Audit and Appeals Support is also offered as a stand-alone benefit for clients whose claims were prepared in-house or by a third party and require the documented attention to detail that the Ryan team provides.

The Ryan Difference

- **Client-centricity** – Ryan mitigates client risk by offering an upfront complimentary R&E Tax Credit Service Assessment. We want clients to make an informed decision regarding their pursuit of R&E tax credits by reviewing the benefits, risks, and viability upfront.
- **Efficiency** – We minimize onsite time through the use of proprietary tools and methodologies in order to collect the in-depth information required with minimal disruption to our clients' business.
- **Thoroughness** – We identify all potential sources of QREs to the highest industry standard. We also stratify those potential claims by risk, allowing clients to determine their risk profile.
- **Audit focus** – Our documentation is uniquely prepared to include audit support. We also provide the actual responses to the Mandatory Research Credit Claims Information Document Request (IDR) as part of our standard deliverable.
- **Client improvement** – We advise on process improvements, helping clients position themselves to take maximum advantage of these credits year after year.



Award-Winning Tax Services

For additional information

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