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Who has time for R&D? You do.

The R&D tax credit. Although it's just a six-syllable phrase, it might strike more fear in the hearts of fabricators than any other phrase, including "the shipment is late" or "the customer is demanding a refund." Heck, it's probably worse than hearing a spouse say, "My mother is coming to visit."

"Research and development" sounds like the domain of people with Ph.D.s, wearing white lab coats, developing new pharmaceuticals, or toiling away in clean rooms, working up fancy new computer chips. And then we have "tax credit." You can't get around the image that conjures up: the inescapable maze formally known as the U.S. tax code, written by Congress, deployed by the Internal Revenue Service, and reinforced by the long arm of the law if you don't comply.

But it's really not that bad.

I recently visited Production Cutting Services in East Moline, Ill., to learn about the company and the industries it serves. The tax credit popped up in the conversation.

Bill Duy, the current owner who co-founded the company 25 years ago with two partners, has been taking advantage of it for several years. It turns out that you don't need a Ph.D. or a lab coat at all.

"The work doesn't have to be all that sophisticated," Duy said. "The time we spend helping a customer improve a process or refine a component counts as research and development time."

I decided to browse around the Internet a bit to find out more about the tax credit. I started at the IRS's Web site, and found the tax code. It had a link to another site that turned out to be [Cornell University Law School](#). So, apparently the U.S. tax code is in such sad shape that the IRS can't deal with it and outsourced it. Well, I guess I'll look elsewhere. Heaven forbid I bother the IRS with a tax question.

I found two private accounting firms that shed some light on the issue. I stumbled across a short list of activities that "may be eligible to claim R&D tax credits:"

- Designing, developing, or formulating new or improved products
- Pursuing production process improvements
- Assisting customers with technical problem-solving
- Designing and constructing tooling or fixtures
- Developing software for internal use or for sale to customers
- Applying for patents

OK, that's a good start. Need more detail? Me too. I found another site that listed "qualified R&D activities." See if something here trips your trigger:

- Manufacturing or fabricating products
- Engineering activities
- Developing new or improving existing products, processes, formulas, techniques, software, or inventions
- Developing prototypes
- Developing, implementing, or upgrading systems or software
- Designing tools, layouts, and schematics
- Developing innovative inventions
- Quality assurance testing
- Automating or streamlining internal processes
- Testing new concepts and technologies
- Testing raw materials to develop prototypes
- Performing environmental and geotechnical testing

Wow! I don't know how many fabricators I have spoken to during my tenure at TPJ-The Tube & Pipe Journal® (nearly nine years), but I can't think of one that doesn't pursue some or most of these activities. Manufacturing or fabricating products? Is this for real? Tax credit, come to papa! Improving existing products and processes? What? Who doesn't do that? Developing, implementing, or upgrading systems or software? This just keeps getting better.

If you're a fabricator, you're probably halfway there. You likely have done some research and development in the course of your normal business; now it's a matter of going after the tax credit. Beware, though. It's not especially easy.

“The paperwork can be a burden,” Duy said.

First, you’ll have to find an accounting firm that has the knowledge and resources to help you go after this tax credit. Second, you’ll have to dedicate some time to tallying the amount of time spent specifically on R&D activities, which is tedious.

Still, Duy has found it beneficial and was pleased to find that he wasn’t limited to the current tax year. The rules allow filing up to three previous years. I am sure I have just scratched the surface. I am not a tax expert, so if you have more questions, I have to suggest that you consult your accountant.

Just don’t ask the IRS.

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