



## Frequently Asked Questions About Research and Development Tax Credit Studies

### **What is a research and development (R&D) tax credit study?**

- An opportunity to recover cash by claiming R&D tax credits that you have not previously and/or currently are not claiming.
- An opportunity to identify a previously unrecorded asset and reflect it on your financials.
- An opportunity to increase the selling price of your business.
- An opportunity to increase your investment return on the purchase of a business.
- An opportunity to increase earnings.

### **Is this something new?**

No, this tax credit has been in place for many years.

### **How long does it take to receive the cash back?**

An average of three months.

### **I am certain that my tax advisor has a handle on this for me.**

- 98% of practicing tax professionals know very little about R&D tax credit law other than how to fill out the tax form which merely facilitates a mathematical equation. They spend on average less than 10 hours a year filling out the forms and no hours conducting R&D tax credit studies.
- The law in this area is voluminous with thousands of pages of legislative, statutory and judicial provisions. Approximately 90% of these rules address the interpretive nature associated with identifying R&D activities and the related cost. Only 10% of the rules deal with the computational aspects of the credit.
- Each administration in office on Capitol Hill will utilize this area of tax law as an economic stimulus or as a source of tax revenue. Currently we are in an economic stimulus environment.

### **What is the difference between a R&D tax credit study and filling out the form?**

#### **I thought the form calculates the credit.**

- The form computes the credit amount while the Study determines the amount of qualified expenses eligible for the credit.
- There are 2 functional components connected with claiming your credit:
  - FIRST, R&D activities and related costs must be identified.
  - SECOND, a computation assessing the relationships between activity costs, gross receipts and base years is required. There is a direct correlation between the accuracy of the credit result computed and the sufficiency of the study performed.

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**What kinds of activities qualify for R&D credit under the new rules?**

- Enhancements/improvements to existing products
- Formulations such as, food, chemicals, drugs, etc.
- Development of computer software for use in your business
- Development of computer software for sale to customers
- Design of or enhancements to operational techniques, processes, and/or equipment

**Is it true that if I do not increase my R&D spending I will not have a credit?**

- No, this is not correct. You may continue to have a credit in years where your spending has leveled off or where it had decreased.

**I have a fairly busy calendar right now with a number of business priorities.**

- The time commitment for the study from your team (typically one to three people) is 10-30 hours collectively and it is spread out over a two to three week time frame.

**If I was eligible for R&D credits in 1984 – 1998 can I recover the taxes I overpaid?**

- No, not from the federal or state taxing authorities.
- This cash is lost forever. Our study will recoup the prior three years and help ensure that you do not overpay taxes in the future.

**What does your study cost?**

For using our study methodology to identify and compute future years credits (regardless if it is 10, 20 or 50 years) there will be no charge or fees owed to us. It will cost you nothing to claim your credits in the future. To assist you in recovering your cash associated with the four years included in the study, our fee is based on a percentage of money recovered.

**I don't want to invest a lot of time and money if there are no significant credits available to my business. How should I proceed?**

This is why we perform a preliminary assessment first. We will not move forward with the study unless an immediate and meaningful cash flow benefit exists.

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