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2009 SDA St. Louis Board

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SDA – St. Louis Chapter

Monthly Meeting Minutes

Wednesday, February 25, 2009

“R&D Tax Credits”

Engineer’s Club, St. Louis, Missouri

Members Present:

Pat Brown - KAI
Karen Dahl – Mackey Mitchell
Stephanie Gauthier
Diane Klug
Julie Lynch – SCI Engineering
Katheryne Morschl – McClure Engineering
Mary Niemeier – Pansing Nolan Matlock Ltd
Donna Scott – EDM Inc.
Bob Staed – Ames & Gough Risk Mgt.
Jean Tedesco – Tarlton
Kristine Tillitt – EDM Inc.
Danielle Weston – McClure Engineering

Guests Present:

Kevin Corley (Speaker)
Jim Howe, Geotechnology
Linda Moen, EFK
Paul Erskine, Aerotek

The Chapter meeting began at 12:00 pm

Chapter Meeting:

- Informal networking.
- Introduction of Speaker - Kevin Corley, alliantgroup.
- A tax credit is a reduction in taxes. The Research & Development (R&D) Tax Credit has been in effect since 1981. The only requirement was discovering something new, having a license and patent. There was the “discovery test”. You had to be the first one in world to have created this new process, product, etc. This generally limited this Tax Credit to scientific research.
- Of the 4600 alliantgroup clients that have taken advantage of the credit, 90% have fallen in 1 of the following 3 categories: manufacturers (50%), software companies (30%), engineering/architecture(20%).
- The reason these companies have qualified is because of the way the IRS has written the rules.

- After September 11, 2001, the definition for R&D changed. The IRS said that it would reward a broader base of activity. Discovery was no longer the only criteria for an R&D Tax Credit.
- For architects/engineers, it is really about “processes and techniques”. IRS Code Section: New products count, processes, count, new techniques count. Not just tangible products. If client gives you specifications, it then up to architecture to come up with the ideas to meet the budget. “People using their brain to solve problems.”
- Break down into products, processes, techniques, formulas and inventions.
- Today, the process has to be “new” for the company. The qualifier has nothing to do with the “world”. So looking within the company.
- Just because the company are doing these activities, 3 things need to exist to properly evaluate the R&D Tax credit:
 - Activities that have been defined by the IRS. (Just a definitional change)
 - Costs are the big drivers. 2 drivers – wages and contractors. (Make sure there is a value).
 - Good utilization of credit. (Credit can cause a refund. You might carry it forward and then aggregate credits for future use.)
- There are other characteristics of the tax credit
 - No limit on a per company basis regarding how much credit you can get. (Biggest credit alliantgroup help a firm receive was \$1.4m.)
 - Credits can carry forward for 20 years.
 - Project does not have to be successful.
 - Even if bill client for costs, the credit can still be claimed.
 - Can go back in time to claim credit – the minute the idea comes to the person in the company. (3 year period.)
- One of the most lucrative credits.
- Generally, \$400,000 - \$1,000,000 in cost to make sense to go forward with the credit (practical standpoint not IRS rule).
- If firm makes guarantee payments to Principals/Partners – Still can qualify for the R&D Tax Credit.
- Business improvement practices – might qualify.
- Not refundable credit. US only nation in the world that does not have a refundable tax credit.
- Documentation
 - Audit Technique Guide on IRS Website.
 - Emails
 - Interviews
 - Project Files
 - Background of individuals (e.g., Degrees – Engineers, IT, Chemistry)
 - Code Section 41 (IRS Code)
- Claiming Credit – Use 6765 Form
- When idea (process, technique, etc.), no longer unique, but use again, the percentage goes down over time. For example, starts out at 80% at beginning can go down to 10%.
- Doesn’t matter when a project begins.
- Project does not have to be public.
- There are no Federal norms so there is nothing to exceed.
- Credit is reviewed every 24 months.
- Last year Congress extended for another 2 years.
- Have added a third methodology to calculate credit (can find on the 6765 Form).

Meeting adjourned at 1:00 pm. Next meeting March 25, 2009.

R&D Tax Credit Services

Research and Development

Revised 11/08



alliantgroup®

“...The R&D Tax Credit can provide, among other things, a hidden and immediate source of cash for many companies as well as a significant reduction to current and future years’ federal and state tax liabilities...”

Under recently issued government regulations, more industries now qualify for the R&D Tax Credit.

Do you design, develop, or improve products, processes, techniques, formulas, inventions, or software? If your company has invested time, money, and resources towards the advancement and improvement of its products and processes, then you may qualify for the R&D tax credit. The R&D tax credit regulations allow eligible taxpayers to “look back” to all open tax years (typically 3 years plus the current year) for potential R&D credits that were never claimed.

alliantgroup’s industry-specific expertise offers clients an unparalleled level of service.

alliantgroup has established a team of senior level specialists, whose sole focus is the R&D tax credit. alliantgroup’s team of R&D professionals consists of 72 attorneys, 35 accountants, 12 engineers, 11 software developers, 7 biologists and 7 chemists with the experience and the technical capability to identify and maximize the R&D tax credits available to your business.

alliantgroup’s job does not end with the delivery of the R&D study. We support you and your clients throughout the entire R&D claim and defense process.

With each of our studies, we provide audit defense on both the federal and state levels. If the IRS or a state agency needs further clarification of the R&D claim, our tax specialists will guide you through the entire claim and defense process. This is part of our enduring commitment to serve you and your clients better than any other professional services firm in the world.

The R&D Tax Credit benefits both you and your clients.

The R&D Tax Credit can provide, among other things, a hidden and immediate source of cash for many companies as well as a significant reduction to current and future years’ federal and state tax liabilities. Our professional staff is always up-to-date on new regulations that could bring more revenue to you and your clients.

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