



# The Work You Do to Help Save Lives Can Also Save Jobs

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For many small to mid-sized businesses, the downturn of the U.S. economy in recent years has led to smaller salaries, decreased revenue, and in many cases, the loss of valuable employees. Unfortunately while small to mid-sized companies suffer the consequences of a struggling economy, some larger corporations have left their counterparts behind thanks to the research and development (R&D) tax credit.

While the federal R&D credit has been around for several decades, its application has become more generous over the years. Companies are advised to take another look into this valuable credit that incentivizes innovation. If you design and develop, or improve products, processes, techniques, formulas, or inventions, there's a good chance your company will qualify for the incentive.

Larger corporations such as Google have seen a spike in first quarter profits as these companies have taken full advantage of the R&D tax credit to increase their bottom lines, but small to mid-sized businesses are entitled to the same benefits. An astonishing fact printed recently in the Wall Street Journal stated that only one in twenty are actually taking advantage of the R&D tax credit. This is largely due to the fact that that small to mid-sized companies assume they don't qualify, or believe the process to obtain the R&D tax credit would be too strenuous—mistakes that can literally cost a business millions.

“In these challenging economic times, many businesses have utilized the R&D tax credit and been able to avoid layoffs, add jobs, and remain competitive,” said Mark W. Everson, former IRS Commissioner and [alliantgroup](#) Vice Chairman.

Many companies regard their own efforts to make new, lighter, stronger, cheaper, more reliable products, or to make more precise, more economical, and more versatile processes as “just doing their job,” when in fact they have been performing R&D qualifying activities all along.

A company that designs, develops, and manufactures medical devices specifically focused on surgical smoke collection and filtration received over \$420,000 in federal and state R&D tax credits. The company undertook its research and development projects to design and develop products and associated techniques for surgical smoke collection. The company developed each of these medical devices to impart different functionality, enhanced quality, and enhanced performance of the new and improved products to meet or exceed both customer specifications and stringent industry standards.

A specific project the company took on designed and developed a smoke evacuator laser hand piece to eliminate smoke created during laser skin resurfacing. During the development of this project, the company evaluated manufacturer and laser specifications. In addition, the company added connectors to the hand piece so that the device worked with a variety of laser and manufacturer applications. By simple innovation and improvement, this company strengthened its product line, as well as its financial state, and will continue to bolster long-term job growth in the U.S.

“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. The R&D tax credit remains the biggest business credit out there,” said Dean Zerbe, former Senior Tax Counsel to the Senate Finance Committee and alliantgroup National Managing Director.

Some examples of activities that qualify for this lucrative incentive include designing new drugs, compounds and medical devices, developing new applications for existing drugs, developing new methods for drug delivery, conducting tests to satisfy government regulatory requirements prior to commercialization, developing reagents and devices for testing, developing new or improved techniques or formulae, and much more.

If the credit is so valuable, why don't more companies take advantage of it? “For one, many taxpayers self-censor away from the credit because they think that it doesn't apply to them or is too complicated to pursue. In addition, most small and mid-sized businesses do not have ERP accounting systems to capture every qualifying activity. In this circumstance, it can be highly beneficial to have a qualified third-party conduct interviews and uncover documentation that supports claims. To maximize the available tax benefits, specialists with industry expertise often can see things that attorneys and accountants might miss if working alone,” Zerbe said.

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