



# Ensure Your Clients and Company Get the R&D Credits They Deserve

*How Minnesota CPAs can help companies that are missing out*

BY **JIM RAMSTAD**, former U.S. Congressman/Chairman of the IRS Oversight Committee and alliantgroup Senior Advisor

The past few years have been tough for CPAs and their clients, particularly for small- and medium-sized businesses dealing with the realities of decreasing revenues and smaller workforces. As the economic recovery continues, these businesses will be the nation's driving engine as 70 percent of new American jobs originate from small- and medium-sized companies.

With American growth and competition so intertwined with small- and medium-sized businesses, Congress over the years has wisely invested in America's middle market companies by incentivizing innovation. I'm sure Minnesota CPAs are familiar with the R&D tax credit, as it has been around since 1981. What Minnesota CPAs may not know is that only one of every 20 eligible firms actually applies for the R&D credit -- a mistake that can literally cost hundreds of thousands of dollars. As a CPA, you can help ensure that businesses get the R&D credits they deserve.

## **Who's eligible for the credit?**

The R&D tax credit can benefit any company that designs, develops or improves products, processes, techniques, formulas, inventions or software. While many may associate R&D with laboratories, white coats and test tubes, in reality, the R&D credit has a broad application covering industries as diverse as manufacturing, architecture, engineering, agriculture and food production. If any of your clients have invested time, money and resources toward the advancement and improvement of their products and processes, they probably qualify for the incentive that brings in nearly \$10 billion a year to U.S. businesses.

If the credit is so valuable, why don't more companies take advantage of it? For one, many taxpayers self-censor because they think that it doesn't apply to them or that it's too complicated to pursue. Additionally, most small- and medium-sized businesses do not have Enterprise Resource Planning (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.

### Many types of work qualify

At our firm, we helped a Minnesota software company secure more than \$210,000 in federal and state credits for various improvements they made in their software development process. A number of these solutions qualified for the credit, including improvements relating to content management, workflow/process control, e-commerce, logistics, warehouse management and B2B information management. A combination of various factors, including integration with extant systems, cross-platform compatibility, distributed database architecture, system scalability, high-volume data processing and simultaneous user ability qualified the software developer for the credit.

To perform such R&D studies, senior-level specialists whose sole focus is the R&D tax credit are needed. A team should consist of attorneys, accountants, engineers, software developers and scientists who have the experience and the technical capabilities to identify and maximize the R&D tax credits available to your clients. By claiming the R&D credit, I have witnessed countless owners hire additional employees and expand their businesses.

### Add value to your client base

CPAs are in a great position to add value to their client base. Imagine being able to present the potential benefits of the R&D tax credit to your clients who have already done the prerequisite work necessary to qualify. The R&D tax credit is a government-endorsed and lucrative means of adding additional funds to American businesses.

With increasing bipartisan support, an expansion in its reach, and a recent two-year extension passed by the Senate Finance Committee, the R&D tax credit has the ability to reshape and revitalize middle market businesses and the American economy. Money allocated to your clients through the R&D credit could allow them to hire new employees, purchase new equipment, reinvest in their businesses and, ultimately, add to their bottom line.

Now is the time for CPAs to use every available outlet to ensure their clients are fully rewarded for the work they do on a daily basis.



**Jim Ramstad** is a Senior Advisor for alliantgroup. He is based out of Minnesota where he served as a Member of Congress from Minnesota from 1991 until 2009. He was a Member of the House Ways and Means Committee, and Chairman of the IRS Oversight Committee. Jim also co-chaired the Addiction Treatment and Recovery Caucus, Disabilities Caucus, Law Enforcement Caucus, and Medical Technology Caucus. Former Congressman Ramstad was chief co-sponsor of the landmark Mental Health and Addiction Treatment Parity Act, which became law in 2008. Jim was named “Legislator of the Year” by the National Association of Alcoholism and Drug Addiction Counselors in 1998, by the National Mental Health Association in 1999, and by the National Association of Police Organizations in 1997 and 2000. Ramstad is also the 1998 recipient of the Fulbright Distinguished Public Service Award.

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