



## SIIA New Member Interview: alliantgroup

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Q & A with Tracy Lustyan, *alliantgroup* Managing Director  
and Rhianna Collier, of SIIA

The SIIA would like to formally introduce alliantgroup as the newest member of the Software & Services Division. To give a better idea of how alliantgroup can assist our members, Managing Director for alliantgroup Tracy Lustyan sat down to elaborate on her firm's services and how they can benefit other members.

**Rhianna:** Tell us a little about alliantgroup and what makes your firm unique.

**Tracy:** Sure. Our firm is the largest consultancy of its kind. What we essentially do is put money back into the pockets of companies across the country by introducing them to government-sponsored tax credits and incentives. Often times, these federal and state tax incentives are overlooked for a variety of reasons by perfectly eligible companies, and our mission is to ensure that businesses are claiming the full value afforded to them by the U.S. government.

Our services cover a broad spectrum of industries, but software and technology ranks high among our industry specialties. What makes our firm unique is that we employ industry experts to help identify the projects and activities that qualify companies for these valuable credits and incentives. As this relates to software and technology firms, we employ actual software developers and other technology experts, along with people that live and breathe the tax code to ensure companies in this sector are saving every tax dollar possible.

**Rhianna:** Why do you think so many software businesses are not claiming the tax credits and incentives that are made available to them?

**Tracy:** We actually have coined a phrase for this at alliantgroup on why companies tend to overlook credit and incentive opportunities—we call it “self-censoring,” or assuming your company doesn't qualify and therefore not even bothering to explore eligibility. It's frankly among the biggest mistakes a company can make, especially for software and technology firms, considering there are tremendous opportunities offered by the federal government designed specifically for their benefit.

With respect to our software and technology clients, the Research and Development (R&D) Tax Credit represents the greatest opportunity for these firms to grow and reinvest in their businesses. While the R&D Tax Credit applies to a broad range of industries, in terms of financial credit results, software and technology firms are the absolute best candidates for the credit due to a) the high number of activities these firms perform that tie directly to the credit, and; b) the wages of the workers performing these activities (the R&D Tax Credit is a wage-based credit, meaning the higher salaries of your developers or other workers that perform these qualifying activities will drive up the value of the final credit results).

**Rhianna:** Can you give examples of the types of software applications that may be eligible for R&D tax credits?

**Tracy:** Software and technology companies in general do a ton of work that ties to the credit. A few common industry activities that qualify (although bear in mind, this is by no means a comprehensive list and many, many more activities can lead to eligibility):


- Innovating software-defined networks
- Development of software for cloud integration and use of multiple cloud platforms
- Testing new software prototypes
- Designing new secure data and applications in the cloud
- Iterative testing and validation of electronic commerce systems
- Development/implementation of OpenFlow networks
- Design, development or engineering of software and/or hardware platforms
- Prototyping mobile commerce platforms
- Development of digital relationship management software
- Integration with extant systems

**Rhianna:** Back in December, the president signed tax extenders legislation that made the R&D Tax Credit permanent and introduced some generous expansions. Can you talk about what these expansions to the R&D Tax Credit mean for software companies?

**Tracy:** It means the R&D Tax Credit is about to become an even better opportunity for software and technology firms. Not only did the new tax extenders law make the credit permanent, it enacted two key modifications to the credit that will greatly expand the number of companies that can qualify starting in 2016.

The first of these—the startup provision—effectively opens the credit up to startups, allowing businesses with gross receipts of less than \$5 million a year to claim the credit (capped at \$250,000) against their 2017 payroll taxes. Since its inception, one of the real shortcomings of the R&D Tax Credit was that startups (some of the most innovative and R&D-intensive companies around) were effectively prohibited from claiming the credit. As startups rarely turn a profit in their first few years, they will thus not pay federal income taxes. Traditionally, the R&D credit is designed to lower income taxes, so if your company wasn't making a profit, you were effectively barred from the credit. This provision solves that issue.

The second modification—the AMT turn-off—allows small businesses (defined in this instance as businesses with less than \$50 million in gross receipts) to be able to claim the credit against their alternative minimum tax (AMT). Without getting too involved in the intricacies of the tax code, the important takeaway here is that the AMT floor was the single greatest barrier preventing perfectly eligible companies from claiming the R&D Tax Credit. Its removal for qualifying businesses has opened the door to a sizeable number of software and tech companies now eligible for the credit.

Together, these two changes could mean millions in added value for companies in the software and tech space, and I would encourage all SIIA members to keep the R&D Tax Credit as well as alliantgroup in mind when considering ways to grow their firms. 



**Tracy Lustyan** is a Managing Director based in alliantgroup's Chicago office, focusing on clients in the Midwest (primarily Illinois, Missouri, Minnesota and Iowa). Tracy offers a vast knowledge of government-sponsored programs, with concentrated expertise in the business application of the R&D Tax Credit, IC-DISC, SUT, DPD, energy credits and tax controversy services. With over 20 years of experience in the

staffing industry, Tracy is passionate about the importance of spreading the word about government-sponsored tax incentives and the role they play in keeping jobs in the U.S. Since 2010, Tracy has partnered with more than 120 CPA firms to uncover significant tax savings for clients in the Midwest and Great Lakes region. With Tracy's guidance, more than 420 companies operating in diverse industries—software, contract manufacturing, systems integration, architecture, engineering, construction and more have claimed government-sponsored benefits.