

MANUFACTURING
MATTERSTHE PATH FORWARD: HOW CONGRESS
OPENED UP NEW AVENUES OF GROWTH
FOR NEW YORK MANUFACTURERS

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by Rick Lazio, former U.S. Congressman and alliantgroup Director, and
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New York manufacturers are on the receiving end of some very good news. With fickle reports about business growth rising and declining, one recent legislative development should give manufacturers the utmost confidence that an industry upswing is imminent.

As we approach this year's tax filing deadlines, it's important to become familiar with the major effort Congress has made to strengthen and grow your industry. A hereto underutilized tax benefit is presenting a sterling opportunity to provide manufacturing businesses with the financial resources needed to hire more labor and expand operations. Local manufacturers have the potential to build on the momentum of last year's regional 1,400-job increase reported by the New York State Department of Labor.

At the end of last year, Congress passed and the president signed into law the Protecting Americans from Tax Hikes Act (PATH) of 2015, a landmark piece of legislation with major implications for U.S. manufacturers. What manufacturers will find most compelling about this legislation is that it both makes permanent the Research and Development (R&D) Tax Credit, and includes major enhancements that permit small to mid-sized businesses effectively barred from the credit in the past, to now claim its tax benefits just as larger corporations currently do.

Previously, large swaths of small to mid-sized companies were effectively precluded due to the alternative minimum tax (AMT) bar, a barrier that often prevented qualifying companies from taking advantage of the R&D credit. Now, due to a key PATH Act modification, starting in 2016 the AMT barrier is effectively removed for small to mid-sized businesses (defined by the

legislation as businesses with less than \$50 million in average gross receipts for the prior three years). The PATH Act also includes another provision beginning in 2016 that grants access to the credit for newer startup businesses, allowing qualifying companies with less than \$5 million in gross receipts to claim the credit on their payroll taxes. With these key modifications, newly qualifying businesses could pump an additional \$2 billion back into our economy.

These changes could not be timelier given the delicate stage in the industry's recovery. The industry's need for aggressive research and development has never been greater and now Congress is providing manufacturers that are making technical contributions to the American economy with the resources to think bigger, produce better and be more competitive in the marketplace.

Ideal Candidates Still Failing to Recognize Game-Changing Benefit

Of the estimated \$10 billion in annual tax savings for U.S. companies claiming the R&D Tax Credit, the IRS reports that manufacturers make up the largest amount of credit claims (39.2 percent). That's not surprising considering that this incentive was designed to reward companies that are investing in making a product or process cheaper, faster, cleaner or more efficient.

Despite being touted as the quintessential industry for this opportunity, the R&D credit is still under-claimed by most qualifying manufacturing businesses. The *Wall Street Journal* estimates that only 5 percent of qualifying companies claim the R&D credit and manufacturers (considering the host of activities that qualify them for the credit) are among the worst offenders

when it comes to overlooking what can add up to hundreds of thousands of tax dollars returned to the taxpayer.

Your Everyday Work Likely Qualifies

R&D CREDIT MANUFACTURING CASE STUDIES	
	MOLDED TOOLS MANUFACTURER ANNUAL REVENUE: \$4 MILLION RESULT: \$70,000 IN FEDERAL CREDITS
	MANUFACTURER OF HIGH-TECH ARMOR DEFENSE ANNUAL REVENUE: \$16 MILLION RESULT: \$787,000 IN FEDERAL CREDITS
	PLASTIC INJECTION MOLDING CO. ANNUAL REVENUE: \$35 MILLION RESULT: \$192,000 IN FEDERAL CREDITS
	FOOD PROCESSING MANUFACTURER ANNUAL REVENUE: \$81 MILLION RESULT: \$415,000 IN FEDERAL CREDITS
	MULTI-TOOLS MANUFACTURER ANNUAL REVENUE: \$87 MILLION RESULT: \$3,689,240 IN FEDERAL CREDITS

It's easier to qualify for the R&D Tax Credit than most business owners initially think. In fact, manufacturers regularly participate in qualifying activities while they go about their daily operations. Some technology manufacturing activities that could lead to significant and immediate cash refunds include:

- Innovative product development using computer-aided design tools
- Development of second-generation or improved products
- Tooling and equipment fixture design and development
- Developing unique computer numerical control programs
- Innovative design of programmable logic controllers
- Innovative manufacturing equipment design and modification
- Prototyping and three-dimensional solid modeling
- Designing innovative cellular manufacturing processes

Contact former Congressman Rick Lazio or Sonny Grover of alliantgroup to find out if your business is among the thousands of manufacturing companies eligible for the lucrative Research and Development Tax Credit. alliantgroup has helped the manufacturing industry claim over \$1 billion in tax credits and incentives. [A](#)



Rick Lazio is a former U.S. Representative from New York serving in Congress from 1993-2001. While there, he became a strong advocate for small businesses by sponsoring the successful Small Business Tax Fairness Act. After Congress, Rick moved to the private sector working for JP Morgan Chase as a Managing Director and then

Executive Vice President. Rick is committed to his continued interest and support of small to mid-sized businesses by brokering his insight and experience in the public and private sectors to provide strong incentives for job growth. This interest has extended into his civic and philanthropic work in New York with the Committee for Economic Development and the Association for a Better New York.



Sonny Grover is alliantgroup's Executive Vice President based out of the firm's New York City office. He is a Certified Public Accountant with more than 27 years of experience providing tax, mergers & acquisitions, structuring, and operational consulting to corporations, partnerships and individual business owners throughout the

world. Previously, Sonny was a Tax Partner at Deloitte & Touche, LLP, where he managed a national consulting practice and a team of 30 professionals in 12 cities. Prior to Deloitte, Sonny was with Arthur Andersen. Sonny is a graduate of the University of Texas at Austin with his BBA & MPA (in tax).