

SDM

The R&D Tax Credit: A Tax Break for System Integrators

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The most recent reports show the global systems integration market is set to grow exponentially over the next few years. However, while the need for such services is clearly expanding, the real question will be if there is enough technical talent here in the U.S. to keep up with the increase in demand.

Considering an already well-documented shortage in STEM talent – and the higher competition for workers that follows within a shallow labor market – these questions and issues are what preclude industry executives from a good night's rest.

Recognizing this trend, Congress has sought to stay ahead of the curve by strengthening and expanding a premier tax incentive for systems integrators – the Research and Development (R&D) Tax Credit. With expansions made as recently as December 2015, the R&D Tax Credit has evolved

through the years into a major anti-outsourcing initiative to help American businesses stay competitive against the growing number of foreign entities landing on U.S. soil. Designed to reward systems integrators for their ingenuity and hiring American STEM workers, the credit offers significant tax savings for a company's daily, technical activities.

As it relates to systems integrators, the improvements these companies make to enhance the efficiency of a systematic process – be it integrating multiple systems to improve the security of a facility; the design, programming and configuration of an access control system within a commercial building; or performing system level tests and evaluations to ensure solutions achieve all performance and functionality requirements – will traditionally qualify for the credit. As a wage-

based incentive, generally the more technical employees a company has, the better the tax rewards will be, with the salaries of those workers driving up higher credit results.

What does the R&D Tax Credit mean for systems integrators at large? Simply put: greater innovation, faster growth and more skilled workers.

Qualifying for the credit means companies will save more on their annual tax returns, meaning more dollars for systems integrators to reinvest back into their workforce. This means more on-hand capital to hire, attract and (in many instances) retain workers, leading to better services and more dynamic and innovative businesses. In the end, this will lead to more competitive companies, a stronger economy and fewer sleepless nights for industry executives.

The R&D Tax Credit has the potential to change the direction of the systems integration industry. Executives would be wise to further educate themselves and explore their options for capturing the valuable tax dollars to which they are entitled.



Tracy Lustyan is a Managing Director based in alliantgroup's Chicago office. With Tracy's guidance, more than 500 companies operating in diverse industries—including software, technology and systems integration—have claimed over \$200 million in government-sponsored benefits. Tracy is passionate about government-sponsored tax incentives and the role they play in keeping jobs in the U.S.



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