GTM HIGHLIGHTS:

- **100% focus** on helping mid-size and large multinational corporations address complex tax operations
- Extensive roster of **Chemical Manufacturing clients** at all stages (Pre-IPO to Fortune 1000)
- **25+ years** in business
- **U.S. alliance partner of WTS Global international tax network**

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R&D TAX CREDIT FOR CHEMICAL MANUFACTURING

Cash Back for Chemical Manufacturing Companies

The chemical manufacturing industry has significant opportunity to take advantage of R&D tax credit benefits. These companies play a major role in producing industrial chemicals that are used in developing and improving products. They also play a role in innovating manufacturing processes to maximize efficiencies and reduce waste, often utilizing new technologies to stay competitive.

The R&D tax credit program incentivizes companies for keeping technical jobs based in the United States. Below is a list of some of the commonly found titles that will typically qualify for the credit:

- Manufacturing Engineer
- R&D Engineer
- Chemical Engineer
- Process Engineer
- Operations Manager
- Green Specialist Engineers
- Quality Engineer
- Toxicologist
- Continuous improvement managers
- Quality Control/ Assurance
- Control Systems Engineer
- Analytical Chemist
- Formulations Specialist
- Product Manager or Specialist
- Materials Engineer
- Environmental, Health, and Safety Specialist
- Logistics Specialist
- Scale-up Specialist

Rewarding companies for these types of investments offers a way to refuel the cycle of innovation, generating capital for companies to hire additional technical personnel and expand its development capabilities.

Generally, if employees are attempting to develop or improve products or processes by way of functionality, performance, reliability, or quality and encounter some level of technical uncertainty, there will likely be elements of qualified research activities (“QRA”) that may be quantified and translated into cash back for the company.

SPECIFIC EXAMPLES OF QUALIFIED ACTIVITIES

- Developing and testing new or improvements to products or processes to improve the overall functionality, performance, quality or reliability of that product or process
- Designing tools, molds, or dies
- OpEx and continuous improvement related to the manufacturing activities to reduce scrap or increase production throughputs
- Designing and implementing automation tools using artificial intelligence, big data, or machine learning to automate phases of a manufacturing process
- Designing, developing (e.g., 3D models, computer simulations), or testing prototypes
- Reformulations of existing products
- Testing materials or material alternatives to evaluate its quality or functionality for a specific product
- Attempting to develop supply chain efficiencies throughout the product development life cycle
- Attempting to reduce the cost of developing and manufacturing products
- Scaling up production of new or improved product from the lab to the manufacturing facility
- New plant and new equipment startups
- Debottlenecking

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WHAT IS AN R&D TAX CREDIT?

The federal R&D tax credit is a dollar-for-dollar reduction of your income tax liability based on qualified research expenditures exceeding a base amount. The tax credit is comprised of expenditures related to qualified research activities, including:

1. **Employee Wages:** A portion of W-2 Box 1 "taxable" wages for employees who directly perform, directly supervise, or support QRA.
2. **Supplies:** Tangible, non-depreciable parts or materials used and consumed throughout the development and testing process.
3. **Contract Research Expenses:** Typically, 65% of the portion of qualified spend for 1099 employees or outside vendors (e.g., CRO) who are directly involved with QRA, where the rights and risks criteria are satisfied.
4. **Cloud Hosting Expenses:** Portions of payments made to Cloud Service Providers (CSPs like Amazon Web Services) for development or test environments.

CAN START-UP COMPANIES BENEFIT FROM R&D CREDITS?

Yes. Both startups and small businesses may qualify to utilize up to $250,000 of their federal R&D tax credits against the FICA portion of their payroll taxes per year for five separate taxable years, for a total of $1,250,000. To qualify, companies must have:

- Less than $5 million in gross receipts for the taxable credit year; and,
- No more than five years of gross receipts.

WHY CHOOSE GTM?

GTM offers extraordinary value through our unique, efficiency-driven methodology designed to minimize client time commitment, identify high-scrutiny and non-traditional areas of eligibility, and produce the documentation that the IRS needs. We also offer transitional and training services so you can ultimately identify and claim credits internally.

DO STATES OFFER R&D TAX CREDIT INCENTIVES?

In addition to the federal credit, more than 30 states offer similar incentives. In fact, some are more generous than the federal program. Most – though not all – state programs follow the guidelines of the federal credit when it comes to qualified research activities and qualified research expenses. They also, like the federal rules, require activities to be performed in their jurisdiction to qualify.

State R&D credits are a lucrative opportunity that taxpayers should not ignore. Quite often they represent greater value to taxpayers than federal R&D credits. Generally, they have been an add-on to the federal program and not given the attention they deserve. State credits can drive location decisions, and they can provide cashflow. Whether it is transferring credits for cash, or selling credits, they can provide immediate value even for start-ups and companies with net operating losses.

LEADING TAX DEPARTMENTS FORWARD

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