

Presentations

Sales and webinar decks built to educate audiences and move them to action.

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XXX

Your roadmap to claiming R&D Tax Credits



XXX's approach to R&D Tax Credits



End-to-end service

We work closely with you and your accountant to provide end-to-end R&D Tax Credit tax services including a complimentary assessment to review tax returns, wages, supplies, expenditures and third-party contracts to determine credit eligibility and credit estimate.



The R&D Tax Credits landscape

We help navigate R&D Tax Credit complexity for you.



How we move forward

We conduct and provide a credit analysis with final credit estimation, guidance on filing and provide audit support on captured XXX R&D Tax and State Credits. Our study is supported by a success-based fee structure with flexible invoicing.



Businesses are still leaving money on the table



\$20 billion

As of 2022, R&D Tax Credit
\$20 billion in
government spend.



1/3

Only 1/3 **of eligible
businesses claim** the
R&D Tax Credit.



6%

The Wall Street Journal
estimates estimates that
**6% of businesses due a
Tax Credit don't claim it.**

Common reasons companies pass on the R&D credit



“Our activities
aren’t innovative
or groundbreaking.”



“We **don’t**
track our time.”



“We **don’t document**
our work.”



“Our **customers pay**
for our projects.”



“We are a **S-Corp**
or a Partnership.”



“We **aren’t**
profitable.”



“This will **trigger**
an audit.”



“This will be too
time-consuming.”

Did you know that R&D Tax Credits is a dollar-for-dollar tax incentive for U.S.-based companies that innovate?



Laying the groundwork: Federal R&D Tax Credit¹



The **Federal R&D Tax Credit** is a general business credit established in 1981 and made permanent in 2015.

- ✓ Designed to encourage U.S. expenditures in **engineering, physical, biological, and computer sciences**
- ✓ **May be claimed retroactively**; businesses can generate a refund of taxes previously paid and carry forward unused credits up to 20 years
- ✓ Additional options may be available based on the **2023 Inflation Reduction Act**

May be monetized by offsetting:

1. Regular tax liability for all businesses; or
2. Payroll tax (employer's Social Security portion of FICA) for businesses in their first five years of generating gross receipts AND gross receipts of less than \$5 million/year (\$500K/year credit limit)



R&D Tax Credit is a permanent tax credit for companies to claim every year

What activities and industries qualify for R&D tax credits?

Any business with activities meeting the requirements defined by tax code (aka the four-part test, etc.) **can qualify for R&D credits.**

Typical qualifying **industries**



Software/Tech



Manufacturing



Biotechnology/
Pharmaceutical



Engineering

Typical qualifying **activities**



Product



Manufacturing
process



Invention



Technique



Software



Formula

Determining eligibility for R&D Tax Credits

Research that satisfies a statutory **“Four-Part Test”** qualifies for the federal tax credit

1

Permitted purpose

The activity must relate to the development or improvement of either the **Functionality, Performance, Reliability or Quality** of a new and improved business component:

- **Product**
- **Process**
- **Software**
- **Formula**
- **Technique and/or**
- **Invention**

2

Technological in nature

The activity performed must fundamentally **rely on principles of:**

- **Physical or Biological Science,**
- **Engineering, and/or**
- **Computer Science**

3

Elimination of uncertainty

The activity must be intended to discover information to **eliminate uncertainty** concerning the:

- **Capability,**
- **Method, and/or**
- **Design**

4

Process of experimentation

The activity must be evaluated or tested in some method, such as:

- **Modeling**
- **Simulation**
- **Trial and error**
- **Conceptualization**

Costs that **qualify** for R&D Tax Credits



Wages

For personnel who conduct, directly supervise, and/or directly support qualified activities.

If **80%** of their activities are qualified, then **100%** of the wages are qualified.



Contract research

65% of outside vendor costs conducting/supporting qualified research activities.

- Must be paid hourly, T&M, or Cost Plus (Fixed Fee doesn't qualify)
- Must own some IP rights to the vendor's activities



Supplies

Tangible raw materials used in research activities that are not capitalized or depreciated (excludes capitalized equip.).



Cloud computing

Cloud computing for software development or testing from an unrelated third party where the servers are not located at the taxpayer's location.

Here's an example of how your clients can benefit from R&D Tax Credits

Employees	Total annual payroll	Time spent on development	Eligible payroll
4 programmers	\$400,000	8%	\$400,000
2 QA testers	\$180,000	7%	\$126,000
2 direct supervisors	\$300,000	2%	\$60,000
R&D eligible payroll			\$586,000
R&D eligible contract costs (@65%)			\$100,000
Cloud hosting expense			\$20,000
Total eligible expenses			\$706,000
Approximate annual R&D credit			\$49,420
Approximate total four-year R&D credit benefit			\$197,680



Do you have a clear
roadmap for capturing
R&D Tax Credits for
your clients?



XXX R&D Tax Credits **service and support**



Complimentary assessment

Consultation includes:

1. Review tax returns, wages, supplies, expenditures, contracts to determine credit estimate
2. Project credit utilization
3. Project ROI estimation

Full credit analysis

We assign a dedicated tax specialist to conduct an intensive study to:

1. Quantitative analysis of payroll/financial data, Predict ROI
2. Quantitative analysis of eligible activities and utilization of credit

Analysis and credit delivery

We deliver the intensive study to client/accountant including:

1. Data analysis document
2. Final credit valuation
3. Detailed guidance and Tax Credit Partnership on filing
- 4. Audit support on**
XXX R&D Tax Credits captured

Let XXX be your
GPS to capturing
R&D Tax Credits



Join our clients to fuel your business growth

4,000+

XXX Tax Credit
clients nationally

\$6B

XXX has helped clients
capture more than \$6
billion in aggregate
tax credits and
incentives since 2017

Examples of R&D Tax Credits captured:



Video game developer

- **\$1M** in annual revenue
- **20** employees
- **\$141K** in credits over three years
- Payroll and income tax offset



Manufacturing

- **\$8M** in annual revenue
- **\$1.6M** in tax credits over four years
- **\$394K** in state tax credits
- **250** employees income tax offset



Pharmaceutical

- **\$689K** in credits over four years
- **665** employees income tax offset, innovation reinvestment



Biotechnology

- **\$3M** in annual revenue
- **28** employees
- **\$250K** in credits for current year
- Payroll withholding offset

R&D Tax Credits captured:

\$735K: 30-employees
Aeronautical engineering firm

\$100K: 13-employees
Manufacturing business

\$260: 82-employees
IT business

\$500: 250-employees
Biotechnology firm

Nobody can lead you to maximizing tax credits like XXX

45+ years of experience
in tax credit processing



Captured over \$6 billion
overall tax credits since 2017



Dedicated in house agency
relations staff



Dedicated government
liaison team



Compliance

**XXX has a long and proud
tradition of designing its
services to help clients
maintain their compliance
with legal obligations.**

As federal, state and local laws and regulations become more complex ... the risk of errors begins to mount on employers and their accountants for inaccurate or improper tax credit calculations, payments or other errors in processing.



250 dedicated tax credit
specialists



We back our tax studies with full
audit support



State of art tax engine technology
with to support complexity of tax
credit landscape



Soc 1 and Soc 2 compliant

Success based fees and flexible invoicing



Fee

Success based fee
on gross credits



Timing

4-6 week turn-around
for project completion



Invoicing

Flexible invoicing

XXX helps you create certainty in an uncertain world



Dedicated R&D account specialist



Proven technology helps create an efficient and effective process, while reducing your administrative burden



Any work that we produce, we will support you in the event of an audit, mitigating your compliance risk



Where do we go from here?

- ✓ **Signatures:** I will send the Master Service Agreement for your signature.
- ✓ **Documentation required:** Tax returns, W2s, Trial balances (for all years in project scope), other party contracts if development was paid for externally.
- ✓ **Kickoff call:** We will work with you to meet you or your Accountant's goals and timelines.

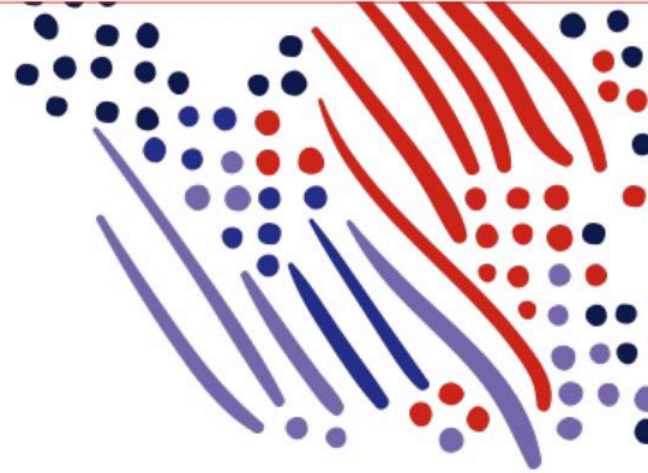


Appendix



Where you work matters

Getting payroll tax
compliance right for remote
and hybrid workers



Agenda

Where you work **matters**.

- **The goal:** Achieving a solid payroll tax process and empowering payroll professionals to focus on their best work
- **The peril:** Remote work makes payroll compliance more complex
- **The challenge:** How to comply (where to withhold, what to file, when to pay) too many steps, too many manual processes
- **The solution:** Simplify and streamline your payroll tax process
- **Q&A**





Do you have
remote/hybrid
workers?

→ No

→ Yes

→ Less than 100?

→ 100 or more?



The goal

Achieving a **solid** process and empowering payroll



Just before I was hired, everything was very paper-oriented and labor-intensive. Technology provides me all the information I need to actually perform the work that we're known for doing well:

- It's user friendly and it's effective
- It helps me stay in compliance
- I have the latest information needed to get the work done
- I've never had a problem with how quickly we receive updates
- Everything is timely and very well organized
- I have one less thing to worry about



Evelyn Bozeman,
Payroll, Wesleyan;
currently oversees
payrolls for between
3,800 and 4,000
full- and part-time
employees, with the
help of two additional
staff members.

The peril

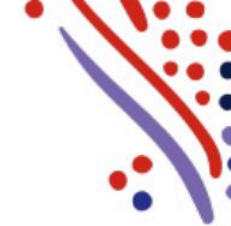


Remote work makes payroll compliance more complex

An unprecedented shift from office to home in the workplace



Remote/Hybrid workers



Perform some or all of their regular office job duties outside the company office.

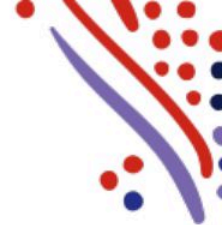


Example:

Payroll manager who worked from office and company allows manager to perform these job duties partially or fully from home office.

Home office could be in another state which can create **a new requirement to withhold.**

Mobile workers



Job duties require travel to different locations or clients. Not just office duties.

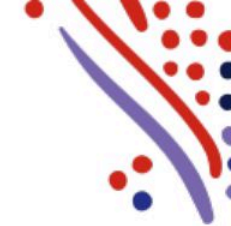


Example:

Sales rep that calls on clients. Can visit multiple states.

Compliance for mobile workers varies depending on state (number of days worked in state).

Efforts at uniform compliance standards



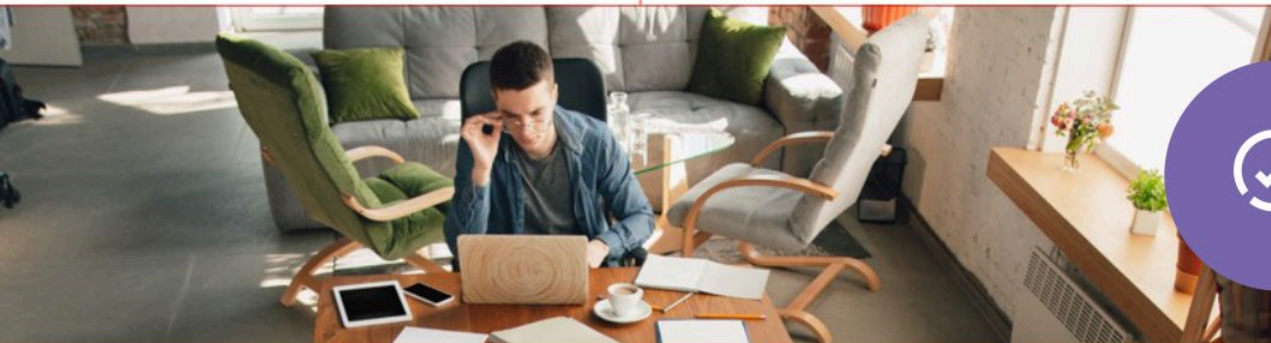
Multi-state Tax Commission
(MTC) — The Model Mobile
Workforce Statute



Council of State Taxation
(COST) State Model Legislation



Multiple bills introduced in
Congress over many years





In 2019, what percentage of people worked from home at least half days per week?

→ 25%

→ 30%

→ 15%



Knowledge check

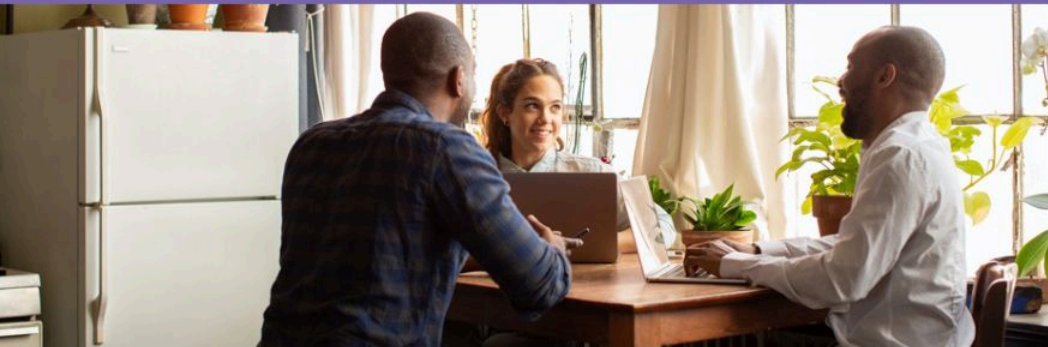


In 2020, what percentage worked from home at least half days per week?

→ 35%

→ 65%

→ 45%





Are you currently
struggling with multi-
state payroll compliance
issues because of
remote/hybrid workers?

→ Yes

→ No

→ Unsure



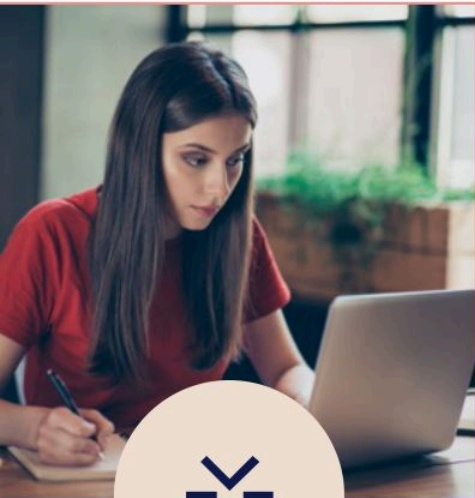
The challenge

Where and how to comply, multiple steps and manual processes



- **Where to comply?** Is the remote worker working from home in another state? If the state has Income Tax the physical presence of the remote worker creates a **Nexus for Withholding**
- **How to file?** Different filings by state. Different due dates by states.
- Different methods (paper-electronic)
- **How to pay?** Different due dates. Different methods (check-ACH)
- **Penalty risk for non-compliance** — not withholding, filing late, paying late or not by proper method results in Penalties.
- **Audit risk** — under-withholding could lead to audit
- **Potential Statute of Limitations issues** — remittance to the wrong state and failure to request refund within state statute period will result in lost refund

Other potential “gotchas”



Dealing with the “when did you first conduct business in our state” question



Will it trigger nexus questionnaires?



Will later terminations of filings trigger inquiries/audits?

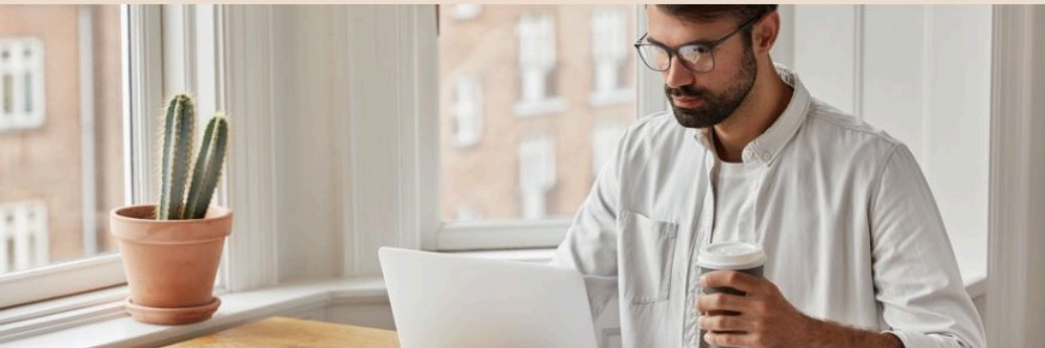


Nexus for other tax types. It may not be just withholding and payroll taxes



Which of the following
is your biggest
challenge related to
remote/hybrid work?

- Multi-state payroll compliance requirements
- HR challenges related to hybrid workers



The goal



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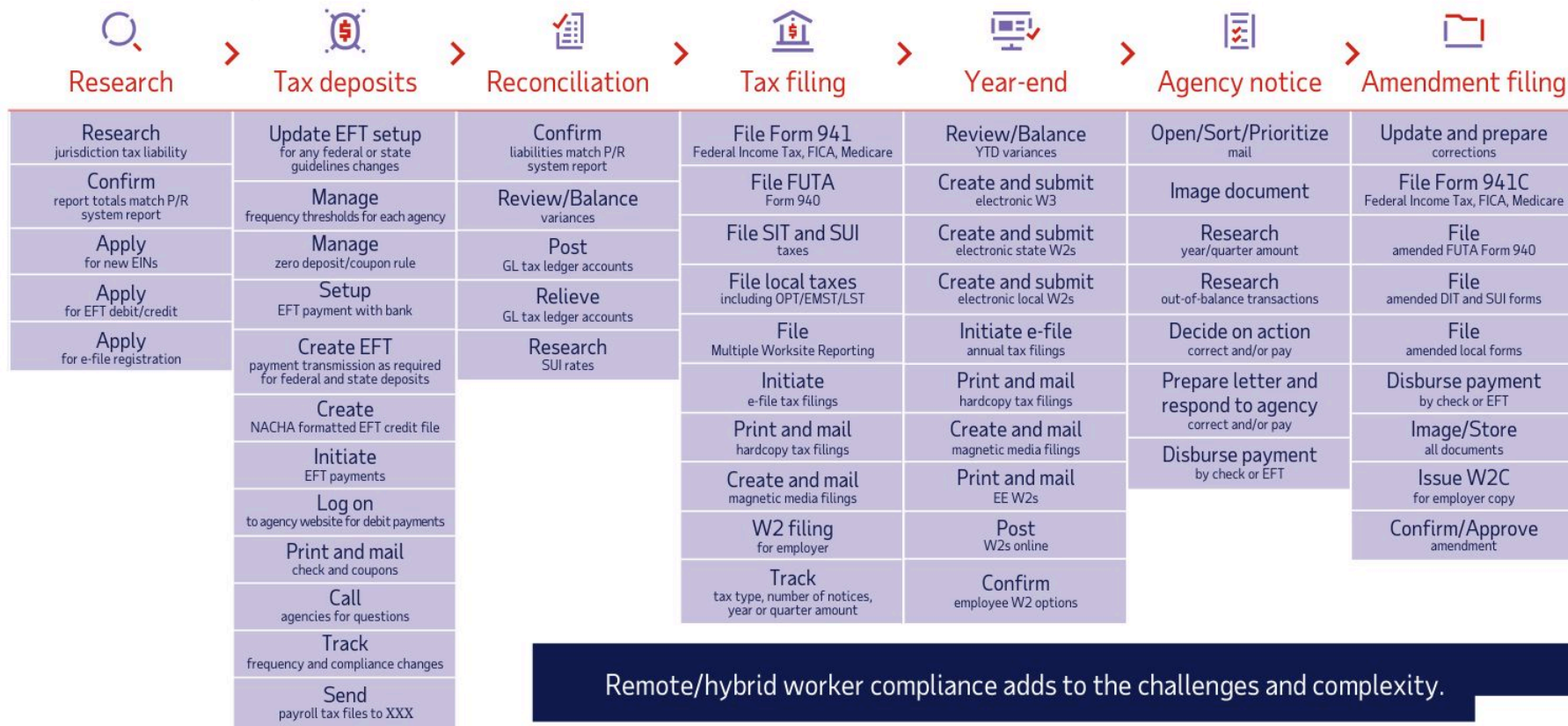


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From over 50 manual tasks...

End-to-end tax process



Remote/hybrid worker compliance adds to the challenges and complexity.

Embracing
a **solution**

Saving time and creating flow for
payroll compliance **anywhere**

**Reduce
complexity**



Automate the
routine



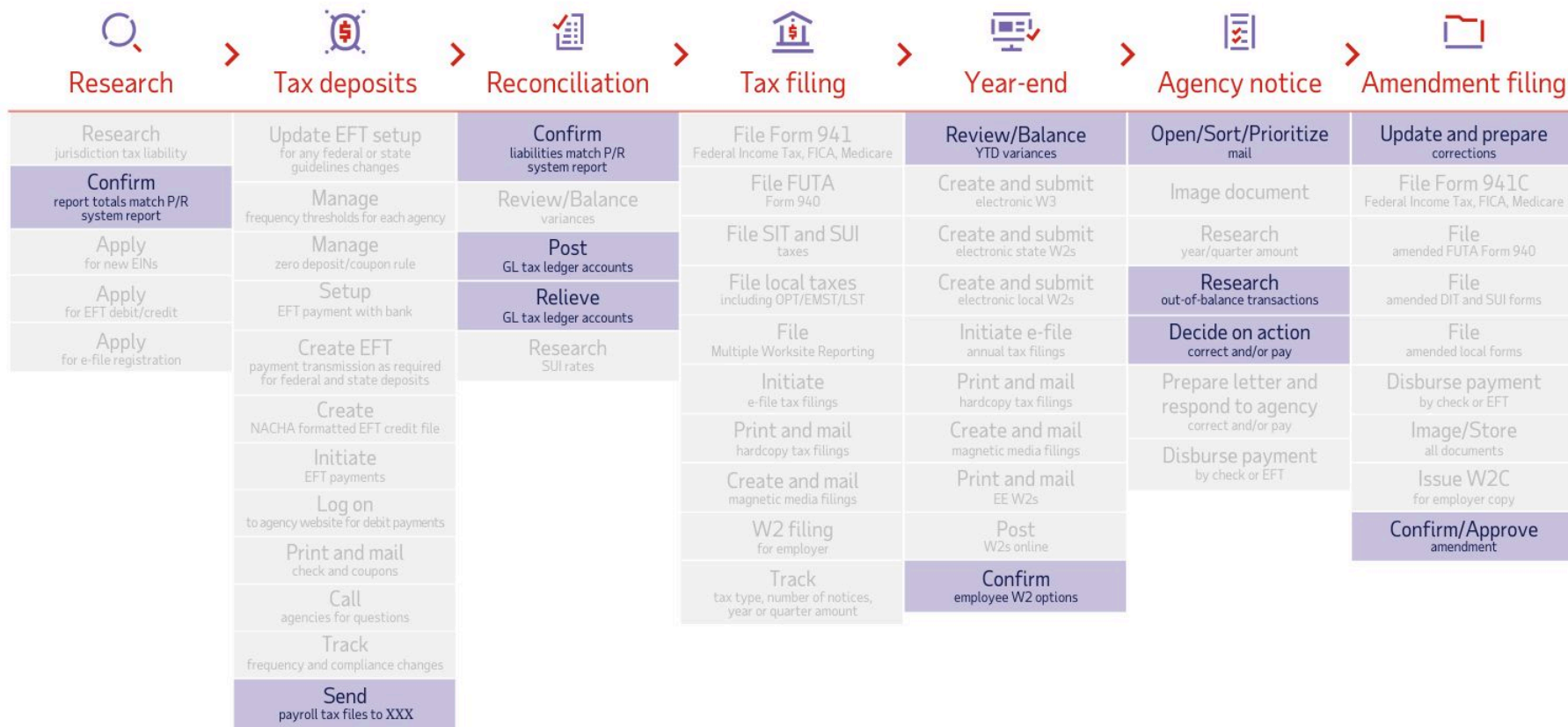
Focus on where
your team adds the
most value



Embrace technology
and partnership



... to TWELVE





Flip the script on remote/hybrid work

From risk...

- Reduce payroll complexity by focusing on the process
- Save time and effort tracking and filing payroll taxes
- Reduces errors, penalties and audit risk



... to reward

Focus on...

- Broadening your applicant pool
- Seize a competitive advantage
- Empowers employees to spend more time on personal development, wellbeing, and family



Typically, how many manual tasks are there in an end-to-end tax process?

→ 45

→ 17

→ 50





Q&A

Thank you!

