



UTAH-BASED ENGINEERING FIRM CASE STUDY

This R&D tax credit study involved working with an engineering firm whose owner was told by their prior CPA they did not qualify for the tax credit! Perhaps this was an assumption made by the CPA because this engineering firm’s primary source of income was from government contracts. However, after discussing with the business owner and reviewing the government contracts, R&D Advantage consultants came to understand the work performed in relation to the government contracts would indeed qualify for the R&D tax credit. In addition, the engineering firm was in the process of developing new technology. This was a clear indicator of qualified research activities (QRAs).

For the past several years, R&D Advantage has helped this engineering firm determine its qualified research expenses (QREs) which are the primary driving factor used to determine the amount of the R&D tax credit. These QREs are typically wages paid to employees which perform QRAs, supplies used in QRAs, and payments made to contractors who perform research on your behalf. Even with only a few employees, the past two years of QRAs performed by this engineering firm have allowed it to claim an R&D tax credit of almost \$100,000, which resulted in a dollar-for-dollar reduction of its owner’s tax liability:

Year	FEDERAL		UTAH	
	TOTAL QRES	TOTAL CREDIT	TOTAL QRES	TOTAL CREDIT
Year 5	\$ 269,000.00	\$ 30,325.98	\$ 254,000.00	\$ 30,115.68
Year 4	\$ 165,000.00	\$ 19,303.28	\$ 157,500.00	\$ 19,540.95
Totals		\$ 49,629.26		\$ 49,656.62

TOTAL TAX CREDIT - \$ 99,285.88