

## What kind of documentation is required?

- There is a requirement to substantiate the qualified activities with documentation, but there is *no specific type* of documentation required.

## Is there a limit on how much credit I can take?

- The amount of credit available to a taxpayer is limited to the amount of tax liability accrued by the taxpayer in a given tax year.
- However, the credit can be carried back one year, and then carried forward for 20 years.

## Can I go back and amend to take the R&D Credit?

- Yes. Federal amendment rules apply and permit the amendment of returns to retroactively capture the R&D credit. The standard 3-year window for amending returns also applies to R&D Credit amendments.

## Are there State R&D Credits?

- Yes. Most states do have their own version of the R&D credit.

## What types of expenses can I capture for the R&D credit ?

- There are 4 types of expenses that can qualify for the credit:
  - » Employee Wages
  - » Supplies and Materials
  - » Third Party Contractor Costs (Must Reside in US)
  - » Cloud Hosting Expenses
- Based on industry and day-to-day business activities, you may qualify for one or several types of expenses for the credit.



## Can I take all 4 types of expenses toward my credit?

- Yes. Employee wages are the most common qualified expense, but you may take all 4 types of expenses if applicable.

## Who receives the tax benefit?

- In general, whoever pays the tax on the income receives the benefit.
  - » C-Corps: The company pays the tax and as such receives the benefit.
  - » Pass-through entities such as Partnerships or S-Corps: Since taxes “flow through” to the investors, the investors receive the benefit.

## Are expenses incurred outside of the US eligible for the R&D Credit?

- Not typically, since it is a federal tax credit underwriting technical work completed in the US.

## Do I need to have a certain amount of gross revenue to take the credit?

- No. As long as you are profitable, you can take advantage of the credit.
- However, if you have an NOL in any given year, then you will not be able to utilize the credit in that year.

## If I am paying Alternative Minimum Tax (“AMT”), can I still take the credit?

- Potentially, yes. Companies with \$50 million or less in average gross receipts over the prior 3 years are considered “Eligible Small Businesses” and can reduce tax liability below their AMT.

## Does claiming the R&D Tax Credit increase my chances of getting audited?

- Claiming the R&D Tax Credit does not increase the likelihood of an audit in any way.