



## The Federal and State Research & Development Tax Credit: Misconceptions vs. Reality

Many small to medium sized businesses self-censor themselves from qualifying for The Federal Research and Development (R&D) Tax Credit and NYS Qualified Emerging Technology Credit (QETC). **Gaines Kriner Elliott's (GKE)** subject matter experts can provide you with a no cost consultation on defining qualified activities, and accumulating back-up information on qualified expenditures.

"If I have a tax or an accounting concern, I rely on GKE as I find their counsel to be invaluable. But GKE is much more than that. They have taken the time to cultivate a personal relationship with me and become familiar with my operation as a whole. They understand my entire business, not just the accounting side, and that has paid big dividends.

Recently we qualified for the NYS Qualified Emerging Technology Credit (QETC) and GKE was instrumental in making that happen. It was their insight and familiarity with both the QETC and our company that made it possible; they connected the dots. They actively participated in the process of documenting the costs which qualified for the credit, filed the amended returns and provided the necessary support when the amended returns were questioned by New York State. Such professionalism is exemplary."

- Scott Cant, President, Lancaster Knives

### Common Misconceptions:

1. The Federal R&D Tax Credit and the NYS QETC apply only to scientific research
  - The tax credit is available to applied research and development, including innovations on the factory floor.
  - An example that will qualify for the tax credit is: any applied engineering or scientific concepts to solve the specific problem of customers.
2. The Federal R&D Tax Credit and the NYS QETC is only for the development of new products
  - The IRS consistently accepts any new improvements made to a current product or processes.
  - They also accept any modifications that made the product greener, faster, or less expensive.
3. The Federal R&D Tax Credit and the NYS QETC is only for large-sized companies
  - Although the majority of the tax benefits are being provided to large-sized companies, the tax credit is ideal for small to medium sized businesses.
  - The cash flow return of the credits will enable businesses to increase commercial activity, and make new hires.

Industries that are currently taking advantage of the Tax Credit (but not limited to):

- Manufacturing
- Chemical
- Apparel
- Biomedical Devices
- Engineering Services
- Healthcare Services Development
- Architectural Services
- Tool and Die

*GAINES KRINER ELLIOTT*  
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