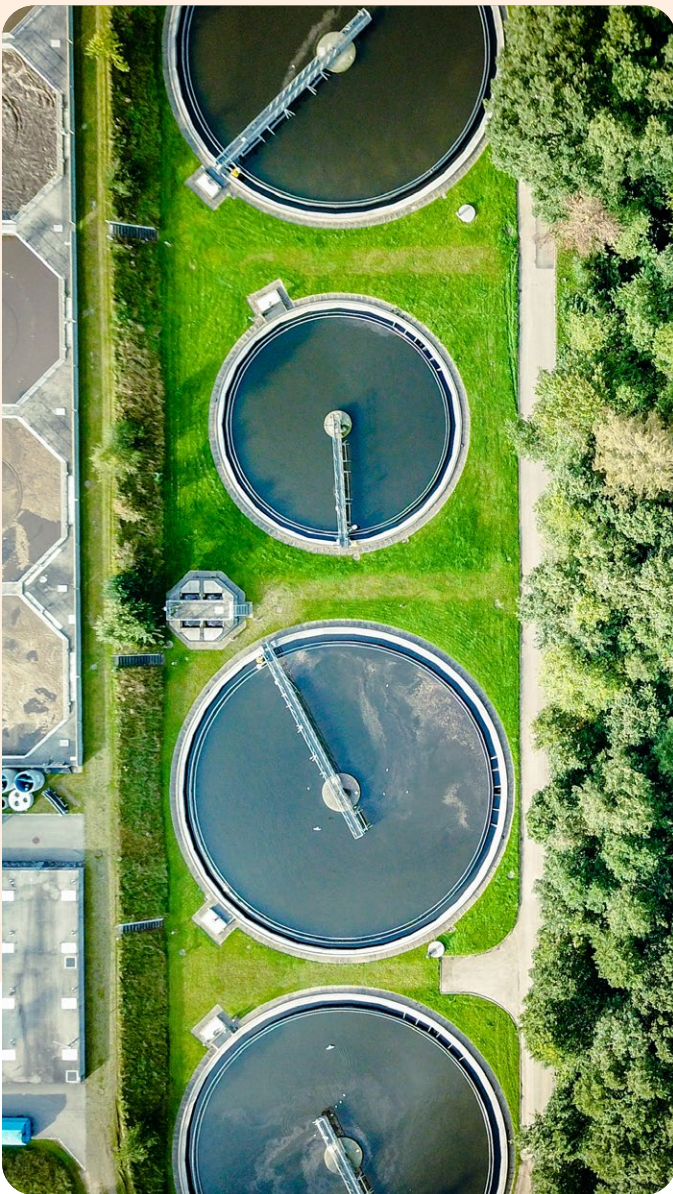


Approximately \$400,000 in R&D Tax Credits Received by a Manufacturer and Waste Water Services Provider



A prominent environmental engineering services provider has received close to \$400,000 in R&D tax credits over a four-year period following a study by Cherry Bekaert (the “firm”) that uncovered significant qualified R&D expenses through employee time allocation activities.

Situation

A prominent steel tank manufacturer and water treatment provider has been in operation for more than 50 years and employed over 200 people across three states when the owners decided to sell the company. Management reached out to Cherry Bekaert for accounting services to better position the company for sale.

Cherry Bekaert’s transaction advisory professionals recommended consultation with the firm’s Credits and Accounting Methods (“C/AM”) team to investigate opportunities to offset a portion of the expected sales proceeds

with the R&D credit saving the company almost \$400,000. The C/AM team recognized that the company's employees were devoting a substantial amount of time researching, developing and testing innovative methods for waste water and soil treatment processes. The company was not aware that these activities may qualify for lucrative R&D tax credits.

Cherry Bekaert's Guidance

Cherry Bekaert's C/AM team conducted a complimentary scope of the 2017-2020 tax years, where qualified activities and large related labor expenses were estimated. Based on these preliminary findings, the company decided to move forward with a comprehensive study to identify R&D tax credit activities.

Using an Activity Time Analysis tool, the C/AM team estimated percentages of time individual employees from each service spent directly performing, supporting, or supervising qualifying R&D activities. These percentages were then used to calculate the wage expenses that qualified for the federal and state R&D tax credits for each tax year. Using these calculations and supporting documentation, Cherry Bekaert assisted the company with applying for the R&D tax credits and monitoring the federal and state tax credit process.

Result

This industrial manufacturer has been awarded close to \$400,000 of federal and state R&D tax credits on \$5.1 million of qualified wage expenses over a four year period.

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