R&D Tax Credits Case Studies: Life Sciences

The following are two case studies which further illustrate the types of projects and activities that will potentially qualify for the R&D tax credit. The eligibility of specific activities and expenditures will depend upon a closer examination of the facts and circumstances in relation to applicable guidance.

New Product Development

Company developed a new generation of medical device electronics for fluid management during gynecological surgery. The development involved significant software and hardware modifications to an existing system that led to a vastly improved product. Significant uncertainty was encountered in the development of the device related to the accuracy of the pressure maintained at the surgical cavity, the accuracy of the input and output fluid measurements, being able to maintain the required flow rate, and maintaining the set pressure during morcellation. The project involved both electronics and software engineering, particularly in the algorithms used in the fluid and pressure calculations and involved substantial iterative testing. After extensive analysis of the expenditures and activities involved in this project, it was determined to qualify for purposes of the R&D tax credit.

New Product and Process Development

Company undertook a project to synthesize a chemical compound and improve the related chemical synthetic processes. The compound was intended to be used to treat breast cancer that is advanced or has metastasized. The company had to experiment and determine an optimal synthesis pathway that would optimize yield and purity. Once the optimal pathway was discovered, there was technical uncertainty as to the ability of the company to successfully implement the synthesis. Additional challenges that were unknown at the beginning of the development but which presented themselves during the development process included loss of material on drying, optimization of crystallization temperature in order to increase yield, and yield loss when incorporating a wash after solids isolation. Substantially all of the activities involved in this project were technological in nature and relied on synthetic organic chemistry and analytical chemistry. The development involved substantial laboratory work in order to develop the compound. After extensive analysis of the expenditures and activities involved in this project, it was determined to qualify for purposes of the R&D tax credit.

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