

# Anchin Alert

**Anchin, Block & Anchin LLP**  
**Accountants and Advisors**

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## **Permanent R&D Tax Credit A Game Changer for America's Businesses**

On December 18, 2015, President Obama signed into law *The Protecting Americans from Tax Hikes Act (PATH) of 2015*. This legislation retroactively renews and makes permanent a collection of expired tax provisions for both businesses and individuals, commonly referred to as "tax extenders." The tax credits and deductions made permanent by the legislation include the Research and Experimentation (R&E) tax credit, the Child Tax Credit, the American Opportunity Tax Credit, the Earned Income Tax Credit, the above-the-line deduction for teachers who buy school supplies, and the Section 179 deduction.

The R&E tax credit, also known as the Research and Development (R&D) tax credit is considered the largest single item in the package, with a cost of approximately \$113 billion over 10 years. Facilitating a permanent R&D tax credit is critical to catalyzing U.S. innovation, because it provides U.S. companies with certainty as they compete in the increasingly challenging global market. In addition to making the credit permanent, the legislation in the PATH is a game changer for a large number of taxpayers who have been unable to take advantage of the credit previously. First, the legislation allows small businesses to take the R&D tax credit against their alternative minimum tax (AMT). The AMT restriction has long been preventing qualified companies from utilizing the research credit, so this new legislation will remove that hurdle for any qualified company with less than \$50 million in gross receipts. Secondly, PATH allows startup businesses with gross receipts of less than \$5,000,000 to take the R&D tax credit against their payroll taxes (essentially making it a refundable credit for up to 5 years).

The R&D tax credit benefits U.S. manufacturing and engineering companies who develop new or improved products or processes through technical activities that lead to an elimination of design or development uncertainty. The credit is applicable not only to revolutionary innovations but evolutionary advances as well. Numerous industry segments can benefit including: semiconductors, software, aerospace, life sciences, engineering, energy, chemicals, apparel, food science industries, and architecture to name a few. Increasingly, business management teams are recognizing the importance of taking advantage of this generous incentive as a powerful weapon for remaining competitive, refueling their critical innovation engines and lowering their effective tax rate.

Once qualifying projects are identified, a business can offset some of its expenses associated with the initiative including certain employee wages, as well as some testing supplies and contract research or consulting expenses. Correctly calculating and documenting the R&D tax credit is critical to maximizing both the financial benefit and sustainability of every claim. Anchin's R&D team is particularly skilled and experienced at identifying qualifying projects and initiatives in each area of a company's business regardless of industry and at examining and capturing all allowable expenses.

For more information, please contact Yair Holtzman, Partner and Practice Leader of Anchin's Research and Development Tax Credits Group at 914.860.5599 or via email at [yair.holtzman@anchin.com](mailto:yair.holtzman@anchin.com).



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