

# R&D Tax Credits Case Studies: Food and Beverage

The following are two examples of client development efforts in the food and beverage industry which further illustrate the types of projects and activities that will potentially qualify for the R&D tax credit. The eligibility of specific projects, 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 coconut water beverage product based on findings that consumers prefer the taste of young green coconut water over mature coconut water. The goal was to improve the taste of mature coconut water that is 66% less expensive and in plentiful supply compared to young green coconuts.

The company tested the mineral content of both young and mature coconut water and found that the sodium content was 6-8 times higher in the coconut water from mature coconuts and was the main driver for the difference in taste. They conducted in-house bench scale “shake-test” trials of ion exchange resin to first resin acidify and then resin deacidify mature coconut water and measured the effect on sodium content. To assist with the experiment, the company hired an ion exchange equipment manufacturer to build test equipment and conduct trials on reducing sodium content using ion exchange resins.

Further, the company conducted trials using electrodialysis to remove sodium and other electrolytes, tested the resulting product for mineral content, found that all minerals were depleted. Potassium was also depleted proportionally to sodium. Substantially all of the activities involved in this project were technological in nature and relied on chemistry. 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 Process Development

Company was developing a new formulation for a mini pizza product, with the goal of improving taste and texture of the product. The chefs determined that the product’s texture would be improved through a thinner shell and better uniformity of the product. Through prototype testing, the team was able to determine a recipe and shape specification that provided for improved texture. In order to improve the taste of the product, the team experimented with adding ingredients to improve its flavor. After testing, the chefs determined that rosemary oil provided the optimal flavor without affecting the overall texture of the shell. After the recipe was improved, the machinery used to make the mini pizzas had to be retooled to accommodate the upgrades. 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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