R&D Tax Credits Case Studies: Fashion

The following are two fashion company 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 and Process Development

Company undertook a project to develop new fluorescent inks and dyes. Specifically, the project was intended to develop a process that would allow for a fluorescent treatment to be executed while minimizing odor and stiffness. Eliminating stiffness of the fabric in the final product was imperative as it was important that the base fabric remain soft to the touch. Additionally, it was vital that the process not conflict with desired graphic techniques or disrupt the development schedule. At the outset of the project, the company did not know whether or not they possessed the technical capability to develop the process, nor did they know the specific method to use in developing the new process. Significantly all of the development activities performed on this project were technological in nature and involved manufacturing design and engineering CAD design as well as physical science. In evaluating the technical uncertainty, the development process entailed research, systematic trial and error, experimentation, and iterations. The company researched the different methodologies for creating the fluorescent appearance and compiled numerous processes that would enable them to achieve the desired fluorescent outcome. Each proposed process was then executed and results were examined in determining the most appropriate process that would deliver the desired results. 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 researched and developed different ways to apply 3D art application to garments while satisfying current child safety guidelines. The 3D art application method used by the company prior to this development posed potential choking hazards and could potentially fail safety requirements for pull testing. At the outset of the project, the company did not know whether or not they possessed the technical capability to develop the process, nor did they know the specific method to use in developing the new process. Significantly all of the development activities performed on this project were technological in nature and involved manufacturing design and engineering CAD design as well as the principles of physical science. The evaluation of the technical uncertainty 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.

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