

Manufacturing/Heavy Duty Equipment

Client Profile

McGuire Sponsel was engaged by a heavy-duty equipment manufacturer with annual revenue of \$35 million. For years, the company had claimed credits without assistance and provided information to its CPA firms. However, under a general IRS audit in 2008, the IRS asked for supportive documentation for tax claims from 2005 through 2007. The company had no supportive documentation, so the IRS threatened to disallow the company's tax claims for the three-year period.

The Challenge

The owner of the heavy-duty equipment manufacturer was extremely involved in new product development efforts. The challenge posed to McGuire Sponsel was to gain a clear understanding of the owner's involvement and then build a timeline for the project using contemporaneous documentation. The company was in the midst of an IRS audit when the IRS threw out their claim due to a lack of documentation. The company engaged McGuire Sponsel, who quickly conducted the necessary interviews and research to refile the claim, including all supporting documentation needed, with the IRS. The IRS subsequently approved the company's entire claim.

Study Results

Within 30 days, McGuire Sponsel qualified \$4.3 million of company expenses from 2005 to 2007, resulting in \$280,000 of federal research and experimentation tax credits. The IRS subsequently approved the company's three-year tax claims in their entirety.

Our engineers scrutinized the client's contemporaneous documentation to build an adequate base period and to support the current year's qualified R&E activities.

