

Machine Shop

Client Profile

McGuire Sponsel was engaged by a machine shop that designs custom automated machining and assembling systems for manufacturing companies. With an annual revenue of \$6 million, the business serves the automotive, glass and medical industries.

The Challenge

When the machine shop was first introduced to the R&D Tax Credit, the company quickly realized it participates in many qualifying activities. These activities include engineering, development of new automated machinery, and equipment testing for clients' projects. Bearing the financial risk for these projects proved to be a good indicator that the machine shop qualified for the credit.

McGuire Sponsel worked closely with the machine shop to perform an in-depth study, which included on-site fieldwork. Necessary education and discussions were conducted in order to gather the required information to maximize benefit. In concluding whether the machine shop's activities qualify for the R&D Tax Credit, McGuire Sponsel determined it passed all four qualifying criteria:

- The goal has to be to discover some technological information that does not already exist within the organization.
- There must be a level of technical uncertainty related to the product or process development.
- Any qualified event must have a process of experimentation to prove or disprove a technical theory.
- The research must have goals attributable to function, efficiency, capacity, or other performance criteria.

Study Results

McGuire Sponsel identified \$481,000 of Qualified Research Expenses (QREs), resulting in \$62,000 in federal tax credits. The machine shop is confident with McGuire Sponsel's method of conducting studies that are conservative and also maximize benefit. The business looks forward to capitalizing on opportunities in future tax years.

