mcguire sponsel

# 2021 Tax Planning Guide

Research & Development Tax Credits
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Economic Development Credits & Incentives

*McGuire Sponsel is dedicated to being the leading technical partner to local and regional CPA firms across the United States.*

# Research & Development Tax Credits

## Overview of R&D Tax Credits

Both federal and state research and development tax credits reward companies based on their investment in developing new products and processes. One of the greatest misnomers involving these credits is many companies don't think they qualify. Credits are not limited to companies that solely provide product development — they are equally applicable to companies that develop new processes including improved efficiencies.

R&D Tax Credits

McGuire Sponsel's Research and Development Tax Credit practice conducts retroactive studies, current year engagements, and risk advisory services.

## Who Can Benefit from R&D

If you have clients in the software, automation, manufacturing, design-build, or healthcare industries, the following questions could indicate the opportunity for R&D Tax Credits:

- Do you employ engineers, scientists, project supervisors, or programmers?
- Do you develop or improve products or processes?
- Do you incur raw material costs during the product development process?
- Do you build prototypes, jigs, models, or dyes?

## Read Our Updates

- Software Industry's COVID-19 Responses are R&D Credit Opportunities
- R&D Tax Credits for the Dental Industry
- Growth in R&D Opportunities for Manufacturers in Response to COVID

## Case Study

- Read R&D Tax Credit case studies here >>

# Global Business Transactions & International Tax Advisory

Let's discuss compliance and global tax rate planning if you have:

- U.S. employees working abroad
- Foreign employees working in the U.S.
- Property stored abroad
- Existing or future cross-border structures, both:
    - o Foreign investments or operations by U.S. companies
    - o U.S. investments or operations by foreign companies
- Clients for which you file forms 5471, 5472, 8865, 8992, 926, or W-8Ben

## Transfer Pricing Studies

Foreign reporting, including transfer pricing studies to support transactions economically, can appear complicated and a little scary. The comment our team commonly hears from clients is that transfer pricing studies are extremely expensive. This typically is not the case, as our international team uses a cost-effective approach to complete transfer pricing studies, reducing the client's expense to comply with the required foreign reporting.

However, compliance with foreign reporting requirements is just the minimum benefit. Transfer pricing studies can also lead to overall global tax rate reduction strategies once the economics of the intercompany transactions and the current client entity structure are better understood.

## The Bottom Line

Any time you have clients moving people, goods, services, or information across borders, reach out to our team so we can discuss maximizing the economic benefit to your client for the most cost-effective amount of investment. Please note that this cost investment can include many more factors than just income taxes. Other costs our team can help plan for include business location decisions, entity structure, local fees & assessments, staffing decisions and many other local business operating cost decisions.

## Tax Advisory

Let's explore opportunities surrounding global business transactions and international tax if your clients are moving goods, people, services, and information across borders.

## Transfer Pricing Guide

Our Transfer Pricing Guide outlines the basics of transfer pricing for tax purposes and when it's time to consider a transfer pricing study.

Download here >>

## Read Our Updates

- What to know before you expand across borders
- Onshoring incentives gain traction in Congress
- Transfer pricing and economic uncertainty

# Cost Segregation | 179D | 45L

## Cost Segregation

Accelerating depreciation deductions has been a longstanding tax strategy for those who own real estate. This year is no different, as cash flow is of the utmost importance with uncertainty created by the pandemic. With the passage of the CARES Act, taxpayers have the ability through the end of the 2020 tax year to perform a five-year carryback of net operating losses (NOLs). In the event cost segregation did not make sense a few years ago, now may be the perfect time to explore the benefit. Keep in mind retroactive studies can be performed for properties acquired in past years.

**Don't miss an opportunity to bring significant value by asking these questions:**

- Have you purchased or constructed a building with a cost in excess of $750,000?
- Have you made renovations to your facility?
- Are you maintaining depreciation records for a large number of fixed assets?

## 179D

This energy-efficient deduction can provide a benefit to clients who have constructed or renovated facilities they own. Designers (HVAC, lighting, building) can also be awarded a benefit for efficient systems they developed for government facilities. The 179D benefit can be claimed on a retroactive basis via Form 3115 for qualifying owner-occupied facilities while eligible designers who were allocated the benefit for their work will require an amended return.

**Let's talk 179D if your clients fit this criteria:**

- New builds in excess of 30,000 square feet
- Renovations to lighting or HVAC systems
- Architects or system engineers that design government facilities (public schools/universities, military bases, police stations, libraries, etc.)

## 45L

This tax credit can be a substantial benefit to clients who develop and own residential properties three stories or less. Centered around energy efficiency, the benefit is calculated on a per unit basis. Eligible properties could receive a tax credit of $2,000 per qualifying unit. The 45L benefit can be claimed retroactively by filing an amended return.

**Let's talk 45L if your clients fit this criteria:**

- Newly constructed residential facilities since 2017 with 30 units or more
- Substantially renovated residential facilities since 2017

# Economic Development Credits & Incentives

To attract and retain growing businesses, state and local governments often provide valuable economic incentives including tax abatements, payroll tax credits, infrastructure grants, low- or no-interest loans, training grants, tax increment financing, and more. When your clients are ready to relocate, expand, make capital investments or add new jobs, McGuire Sponsel can help you guide them in taking advantage of these economic incentives and achieving maximum value.

## Who Benefits from Economic Incentives?

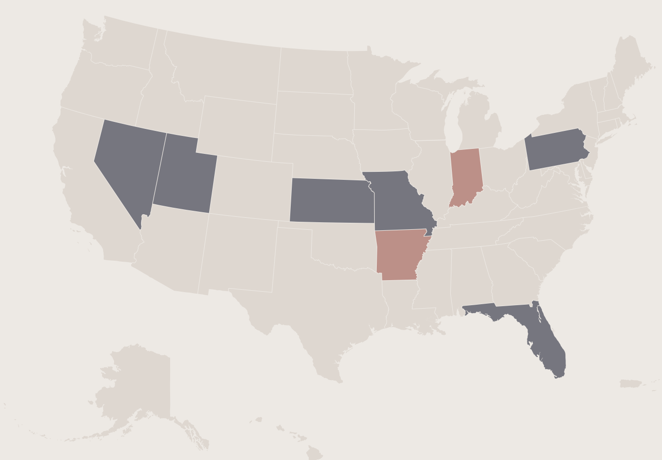
Contrary to other areas of tax that we deal with, economic incentives can't operate in a retroactive landscape. Clients must be proactive in order to maximize the benefit. As you talk with your clients, ask this series of questions with a 3-5 year forecast:

Do you plan to...

- add 15 or more jobs over five years?
- buy, lease, or build a facility?
- purchase $1M or more in new equipment?
- acquire or merge with another business?
- relocate operations?
- expand a plant or office?

Credits & Incentives

McGuire Sponsel's Credits and Incentives team brings knowledge of local and state incentives to achieve maximum value to growing businesses nationally.



## Multi-State Case Study

Our client, a medical and household product manufacturer, was looking to add over 400 new employees across two locations. We helped them select sites in Indiana and Arkansas, generating over $3.2M in job creation incentives. We anticipate $50M+ saved over the next 20 years through CapEx savings in both states. McGuire Sponsel continues to offer consulting and analysis for future growth.

We also completed site selection analysis and incentives evaluation in Kansas, Missouri, Utah, Nevada, Pennsylvania, and Florida for this project.