R&D TAX CREDITS
what you need to know

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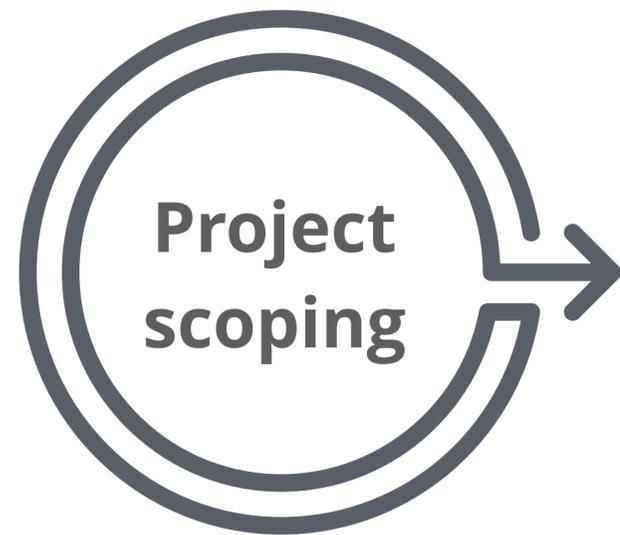
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What is the R&D credit?

Sample R&D Tax Credit project lifecycle

Project scoping

- Estimated credit value
- Projected credit utilization
- Predicted ROI

Credit Analysis

- Quantitative Analysis of payroll / financial data
- Qualitative Analysis of eligible activities
- Contemporaneous documentation

Credit Delivery

- Filing and credit support provided to client
- Wrap-up discussion with client / CPA

Audit Support

- Provided should the credit be examined
- Review IDR or Notice with client

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Who should care
about the R&D credit?

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Identifying quality clients

capture & organize data

How to determine eligibility

Common qualifying activities

Product
Includes developing a new or improved upon product.

Manufacturing process
Includes changing the layout of a manufacturing facility to improve an existing process.

Software
Includes creating a new website or platform for public or internal use.

Invention
Includes new software technologies that utilize new algorithms or automations.

Technique
Includes, for example, a new way to brew beer or distill whiskey.

Formula
Includes new vaccines, medicines or therapeutics.

Common qualifying industries

- Software
- Manufacturing
- Biotechnology
- Pharmaceutical

- Natural resources
- Services
- Real estate
- Agriculture

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Dispelling the myths
of R&D credits

Myth #1
Our activities aren't innovative or groundbreaking

Myth #2
We don't track our time

Myth #3
We don't document our work

Myth #4
This will be too time-consuming

Myth #5
Our customers pay for our projects

Myth #6
We are an S-Corp or a Partnership

Myth #7
We aren't profitable

Myth #8
This will trigger an audit

Using R&D Credits
to grow revenue

Sample additional billable services:

Hours per amended return = 2
Years of amended returns = 3
Shareholders = 2
Billable rate = $300/hr
Potential firm added revenue = $3,600

Sample first-year revenue share:

First-year current/retro credits = $200,000
ADP contingency fee @ 25% = $50,000
CPA first-year revenue share = $5,000

$8,600
in first year for referring R&D Tax Credit Services to ADP!

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Who to **partner with**

Limited Time: "Extension Season" Promotion!

Conditions:

- Firm must be registered and approved as a standard R&D Revenue Share partner

- No minimum number of clients to start earning

- No maximum payout

- Payment to CPA issued approximately 60 days following the end of the applicable quarter of client payment

- On-going residual payments, assuming client is still using ADP R&D Tax Credit Services

ADP TAX CREDIT SERVICES

ADP's R&D Tax Credit Services Referral Payment Program!

With ADP's R&D Tax Credit Services referral payment program, firms can add an additional revenue stream by referring R&D Tax Credit services!

Revenue Share Example:

Current Year R&D Tax Credit	= $50,000
3 Retro Years combined R&D Tax Credit	= $150,000
Total Year 1 Credits	= **$200,000**
$200,000 Tax Credits * 25% ADP Fee	= $50,000

Year 1 Rev Share @ ~~10%~~ = ~~$5000~~   20% $10,000

+ Residual in perpetuity @ 5%

Details

- Subject to approval process
- Year 1 Revenue (including current and retro years) @ ~~10% revenue share~~ **20% revenue share**
- Years 2 and beyond @ 5% revenue share
- No minimum # of Clients to start earning
- No caps on payments
- Payment is issued by Tax Credit Finance team 60 days following the quarter in which client is paid in full

"EXTENSION" SEASON PROMO:
DOUBLE the YEAR 1 Revenue Share to 20%*
*Conditions apply

Top Industries:
- Software/IT (NAICS codes starting with: 5112 and 5415)
- Life Sciences (NAICS codes starting with: 5417)
- Manufacturing (NAICS codes starting with: 31, 32, 33)
- Key Words: develop, modify, design, improve, prototype, patent

Other Qualifications:
1) Estimated $500,000 in Annual Gross Wages
2) Client is either:
   a. Taxable (can take the credit against their Corporate Income Taxes owed), or
   b. <$5M in gross receipts and <5 years in business (can take the credit against payroll withholding)

Exclusive ADP benefits **for Rootworks members:**

·**Offer an end-to-end, firm-branded payroll & HR service** to your clients with RUN for Partners(or "Wholesale") at special Rootworks discount

·**A dedicated ADP contact (Stacy Bolser)** and access to the Accountant HelpDesk reserved only for partnering accounting professionals

·**Exclusive discounts* on ADP's PEO, ADP TotalSource**, for your firm and a revenue share program for referring clients

·Earn revenue by referring clients who sign up to receive **ADP's R&D Tax Credit Services** and those clients are eligible for a pre-determined discounted rate.*

·Access to **Accountant Connect**^{SM} providing access to authorized ADP clients' payroll data, tax forms, GL integration and critical analysis tools all in one convenient hub

·Access to practice management tools like Compensation Benchmarking and a complimentary **CPE program**

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