Research & Experimentation Tax Credit

RESEARCH & EXPERIMENTATION (R&E) TAX CREDIT SERVICES

UNLOCK A POWERFUL—AND OFTEN OVERLOOKED—TAX INCENTIVE

The Research & Experimentation (R&E) Tax Credit, also known as the Research and Development (R&D) Tax Credit, is one of the most valuable and underutilized tax incentives available to U.S. businesses. SEK's tax professionals help companies claim every dollar they're entitled to by identifying qualifying activities.

WHAT IS THE R&E TAX CREDIT?

The R&E Tax Credit rewards domestic companies for investing in the creation and improvement of products, processes, software, and techniques. The credit provides a dollar-for-dollar offset against federal tax liability—and many states offer additional credits for qualifying research activities.

WHICH ACTIVITIES QUALIFY?

Many businesses don't realize that everyday product development, engineering, and manufacturing improvement activities may qualify for the R&E credit. Qualifying activities include:

- Developing new or improved products,
- Designing custom software,
- Improving manufacturing processes,
- Testing new formulations or materials, and
- Solving technical uncertainties through experimentation.

WHICH INDUSTRIES CAN BENEFIT?

The R&E credit is not just for technology companies and pharmaceutical firms. Manufacturers, agribusinesses and food processors, construction firms, engineering companies, software developers, and many other businesses may have qualifying activities.

Any company in any industry could potentially qualify for the R&E credit, provided the activities meet a four-part test. The research activity must:

1. Serve a permitted purpose, focusing on creating or improving products, processes, techniques, formulas, inventions, or software, rather than making cosmetic changes
2. Be technological in nature
3. Involve a process of experimentation

TEAM LEADERS

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4. Aim to eliminate uncertainty regarding design, capability, or methodology

WHY CHOOSE SEK?

Our team performs a thorough analysis of your activities, documentation, and expenditures to build a defensible R&E credit claim. We work with you throughout the year to capture qualifying activities in real time—maximizing your credit and ensuring it will withstand scrutiny.

SEK's team of advisors can assist you in claiming this lucrative tax credit by:

- Identifying activities that pass the four-part test to qualify as research
- Pinpointing qualifying expenses related to these activities
- Providing a study to support the credit calculation and ensuring adherence to IRS documentation requirements
- Offering audit defense if the IRS challenges the credit
- Consulting on how to best utilize the credit
- Performing a complimentary analysis to determine if your company qualifies for the credit in any prior year within the statute of limitations

COMMON MYTHS ABOUT THE R&E CREDIT

Despite its potential, many companies mistakenly believe they don't qualify for the R&E credit due to several misconceptions, such as:

Myth #1: Only companies that invent something revolutionary can qualify.

Companies do not need to create a groundbreaking invention to qualify. Many eligible activities involve developing, improving, or testing products, processes, software, or formulas.

Myth #2: The credit is only for basic research.

The R&E credit is not limited to basic or laboratory research. It can also apply to practical development work focused on improving functionality, performance, quality, or reliability.

Myth #3: It's only for profitable companies.

The credit is not just for large corporations. Startups, small businesses, and mid-sized companies across many industries may also qualify.

Myth #4: The credit doesn't reduce state taxes.

In many states, businesses may also be able to claim a state-level R&E credit. This can create additional tax savings beyond the federal credit, depending on the state.

Myth #5: Government-funded research disqualifies a company.

Government-funded research does not automatically disqualify a company. Eligibility often depends on the specific contract terms, financial risk, and rights retained by the business.