

R&D TAX CREDIT CASE STUDY: ENGINEERING

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In 2019, Calvetti Ferguson completed a 2015-2018 R&D study for an engineering firm with annual revenue of \$35M and payroll of \$16M. Their services included mechanical, electrical, fire protection, and civil/structural engineering design projects around North America. The Company hired CF to conduct an R&D study because they knew the value the study could bring the Company and trusted the expertise that CF could provide.

The engineering firm was looking for tax credits they could qualify for and reached out to CF’s specialty tax incentives team to discuss possible options. The Company believed they were too small to qualify for the R&D tax credits which is a common misconception for companies in the engineering industry. They also believed these credits were only for companies with dedicated R&D staff such as technology or pharmaceutical however, this too is not the case.

After other tax incentives were reviewed and discussed, the R&D tax credits were revealed to be the best fit. This was determined during the complimentary evaluation in which preliminary information is gathered and discussed with the client. This information helps verify if the Company is eligible for the tax credit and to what level. Additionally, this helps to find out if the Company can benefit from the credit, and if so, how much tax can be offset by an R&D credit.



Engineering clients like this one often overlook the R&D credit because they don't think their company fits the picture of a "Research and Development" firm. To ultimately find a tax benefit spanning multiple years was really gratifying for both CF and the Company.

The CF Tax Incentives team discussed the Company's operations to evaluate which activities satisfied the IRS definition of Qualified Research. From these conversations, CF calculated that the Company's qualified activities included, but were not limited to:

- Design development of MEP systems
- Preliminary design discussions with clients over technical requirements and specifications
- Development of engineering drawings and specifications
- Evaluation of alternative materials for construction
- Determining alternative structural designs
- Environmental impact studies
- BIM or CAD modeling
- Design testing
- Implementation of counter-terrorism capabilities
- Evaluation of alternative means and methods of construction

After two months, the engineering firm's R&D study conducted by Calvetti Ferguson resulted in a dollar-for-dollar federal tax refund of \$200k in 2016, \$300k in 2017, and \$280k in 2018. It also resulted in an immediate tax reduction of \$215k on their originally filed 2018 return, for a total of just under \$1,000,000 in benefits.

Working closely with the Company's CPAs, our R&D tax consultants assisted the engineering firm in identifying and capturing federal and state R&D tax credits that drastically reduced their tax liability.