



## GTM HIGHLIGHTS:

- **100% focus** on helping mid-size and large multinational corporations address complex tax operations
- **25+ years** in business
- **U.S. alliance partner** of WTS Global international tax network

## R&D TAX CREDIT FOR FINTECH

### Cash Back for Your Software Development Activities

Has your company made investments in technology or software development specific to the financial services industry? Committing resources toward developing software platforms, trading algorithms, and banking applications either for third parties or even internal use can generate significant opportunities to recoup costs in the form of R&D tax credits.

The R&D tax credit program incentivizes companies for keeping technical jobs based in the United States. If your company employs individuals with any of the following job titles, there is likely a strong opportunity to get cash back:

- Software Engineer or Developer
- Director of Software Engineering
- Data Engineer
- Programmer
- Chief Technology Officer
- Data Scientist
- Systems Engineer
- Machine Learning Engineer
- DevOps Engineer
- Product Designer
- Software Architect
- Product Manager

Rewarding companies for these types of investments offers a way to refuel the cycle of innovation, generating capital for companies to hire additional technical personnel and expand its development capabilities.

Generally, if employees are attempting to develop or improve software by way of functionality, performance, reliability, or quality and encounter some level of technical uncertainty there will likely be elements of qualified research activities (“QRA”) that may be quantified and translated into dollars.

### SPECIFIC EXAMPLES OF QUALIFIED ACTIVITIES

- Designing, coding or testing software or software components to create new functionality, or improve the performance of trading models or algorithms
- Creating or improving system functionality for order management or execution management
- Developing analytical models for portfolios or trading applications
- Developing 5G wideband system capabilities and other network solutions for high performance, low latency trading applications, or parsing of market-related data
- Creating algorithmic testing designs, backtesting capabilities, market simulations, and customized data analytics
- Applications or platforms designed to model or evaluate risk exposure
- Enhancing or developing cloud-based data management capabilities focused on accessibility, processing speeds or security features



## WHAT IS AN R&D TAX CREDIT?

The federal R&D tax credit is a dollar-for-dollar reduction of your income tax liability based on qualified research expenditures exceeding a base amount. The tax credit is comprised of expenditures related to qualified research activities, including:

1. **Employee Wages:** A portion of W-2 Box 1 “taxable” wages for employees who directly perform, directly supervise, or support QRA.
2. **Supplies:** Tangible, non-depreciable parts or materials used and consumed throughout the development and testing process.
3. **Contract Research Expenses:** Typically, 65% of the portion of qualified spend for 1099 employees or outside vendors (e.g., CRO) who are directly involved with QRA, where the rights and risks criteria are satisfied.
4. **Cloud Hosting Expenses:** Portions of payments made to Cloud Service Providers (CSPs like Amazon Web Services) for development or test environments.

## CAN START-UP COMPANIES BENEFIT FROM R&D CREDITS?

Yes. Both startups and small businesses may qualify to utilize up to \$250,000 of their federal R&D tax credits against the FICA portion of their payroll taxes per year for five separate taxable years, for a total of \$1,250,000. To qualify, companies must have:

- Less than \$5 million in gross receipts for the taxable credit year; and,
- No more than five years of gross receipts.

## WHY CHOOSE GTM?

GTM offers extraordinary value through our unique, efficiency-driven methodology designed to minimize client time commitment, identify high-scrutiny and non-traditional areas of eligibility, and produce the documentation that the IRS needs. We also offer transitional and training services so your team can ultimately identify and claim credits internally.

## DO STATES OFFER R&D TAX CREDIT INCENTIVES?

In addition to the federal credit, more than 30 states offer similar incentives. In fact, some are more generous than the federal program. Most – though not all – state programs follow the guidelines of the federal credit when it comes to qualified research activities and qualified research expenses. They also, like, federal rules, require activities to be performed in their jurisdiction to qualify.

State R&D credits are a lucrative opportunity that taxpayers should not ignore. Quite often they represent greater value to taxpayers than federal R&D credits. Generally, they have been an add-on to the federal program and not given the attention they deserve. State credits can drive location decisions, and they can provide cashflow. Whether it is transferring credits for cash, or selling credits, they can provide immediate value even for start-ups and companies with net operating losses.

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