



R&D TAX CREDIT OPPORTUNITIES FOR LIFE SCIENCES

Life Sciences organizations including pharmaceutical, biotechnology, biomedical, agricultural, and medical device companies, are inherently innovative and are among the top candidates for claiming R&D tax credits. Often the upfront investments made to create new drugs, chemical compounds, or medical devices are significant and can generate substantial 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:

- R&D Engineer
- Chemist
- Chemical Engineer
- Biologist/Microbiologist
- Cytologist
- Agronomist
- Lab Technician, Manager or Director
- Research Associate or Scientist
- Principal Scientist
- Software Engineer
- Physicist
- Mechanical Engineer
- Process Engineer
- Director of Software Engineering
- Principal Engineer
- Product Manager or Specialist
- Chief Technology Officer
- Senior Product Designer
- Drug Product Engineer
- QA/QC Specialist, Manager, or Director

In addition to the investment in its employees, Life Sciences companies – especially in early stages – may leverage Contract Research Organizations (“CROs”) that perform research on behalf of the company. A portion of these costs may also be qualified and provide companies with a larger pool of potentially qualified dollars to consider when determining the value of its research credits.

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 products or processes by way 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 cash back for the company.

SPECIFIC EXAMPLES OF QUALIFIED ACTIVITIES

- Preclinical/Discovery research on new compounds
- Attempting to design and develop pharmaceutical products, drug delivery systems, medical devices
- Designing and testing new chemical or medical compounds, therapies, or biologics
- Developing or improving manufacturing processes or capabilities
- Engaging in Clinical development activities, including production of trial lots and testing manufacturing scale up capabilities
- Reformulating drugs or compounds to reduce side effects or improve efficiency
- Designing, developing, and testing specific hardware and/or software systems, platforms, or applications that may be used in research or analysis

GTM HIGHLIGHTS:

- **100% focus** on helping mid-size and large multinational corporations address complex tax operations
- Extensive roster of **Life Sciences clients** at all stages (Pre-IPO to Fortune 1000)
- **25+ years** in business
- **WTS Global** international tax network U.S. partner



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 you can 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 NOLs.

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