



FISHER, P.A.

A CERTIFIED PUBLIC ACCOUNTING FIRM

R&D Tax Credit Documentation Checklist

Research & Development (R&D) tax credits can often be a great way to optimize tax savings. These credits relate to activities and expenses used to develop or improve products, software, techniques, inventions, or formulas. Please see the guide below for some general standards to consider when navigating R&D expenses.

1. Understand What Counts:

- R&D tax credits are available for expenses relating to the development or improvements of a business component.
- Eligible expenses often include wages, payments to contractors, supplies, and equipment rental related to R&D work.
- Only the portion of expenses attributable to qualified research performed within the US can qualify as an R&D expense.

2. Know the Criteria:

- Determine if your R&D qualifies by asking:
 - Was the main goal to make the product, process, software, technique, or invention better in some way for business use?
 - Did the work aim to find answers to technical questions that were unclear, such as how to make a process better or how to design a new product properly?
 - Is the research activity technological in nature?
 - Did the business use a systematic process to evaluate one or more alternatives to achieve the desired results?
- Some examples of activities for which a credit is **NOT** allowed:
 - Research after commercial production of a business component
 - Adaptation of existing business components to a particular customer's need
 - Duplication of an existing business component
 - Surveys and studies
 - Foreign research

3. Maintain Documentation that may support an R&D Credit:

- Save receipts and paperwork organized to support your claim.
- Understand what documents you need to back up your expenses.



FISHER, P.A.

A CERTIFIED PUBLIC ACCOUNTING FIRM

R&D Tax Credit Documentation Checklist (cont'd)

4. Common documentation includes:

- **Tracking Employee Costs**
 - Maintain records of what you paid employees for R&D work.
 - Examples include employee W-2s, paystubs, timecards, hours worked, or meeting minutes.
 - Exclude non-R&D costs like retirement contributions or health insurance.
- **Document Contractor Expenses**
 - Keep records of agreements with contractors for R&D work.
 - Show evidence that you took the financial risk if the R&D project didn't succeed.
 - Examples include contracts, invoices, purchase orders, and Form 1099-NEC for contracted work.
- **Record Supply Expenses**
 - Keep track of spending on materials or equipment for R&D.
 - Qualified R&D supplies include any tangible personal property other than land, improvements to land, and property of character subject to depreciation.
 - Keep receipts or invoices as proof of purchase.

Our firm recognizes the pivotal role that this tax credit can play in unlocking additional resources for our clients, potentially catalyzing further strides in research and development while bolstering their competitive edge within their respective industries. We stand ready to offer comprehensive guidance and support to our clients, encouraging regular consultation to ensure they capitalize on this opportunity effectively, track their progress, and navigate any complexities that may arise.