

THREE TAX SAVING STRATEGIES FOR ARCHITECTURE FIRMS

Architecture and engineering firms that are not claiming [R&D Tax Credits](#), [Employee Retention Tax Credits](#), or [179D](#) are potentially leaving millions of dollars in tax benefits on the table each year. What are these benefits, and what cash flow is being overlooked?

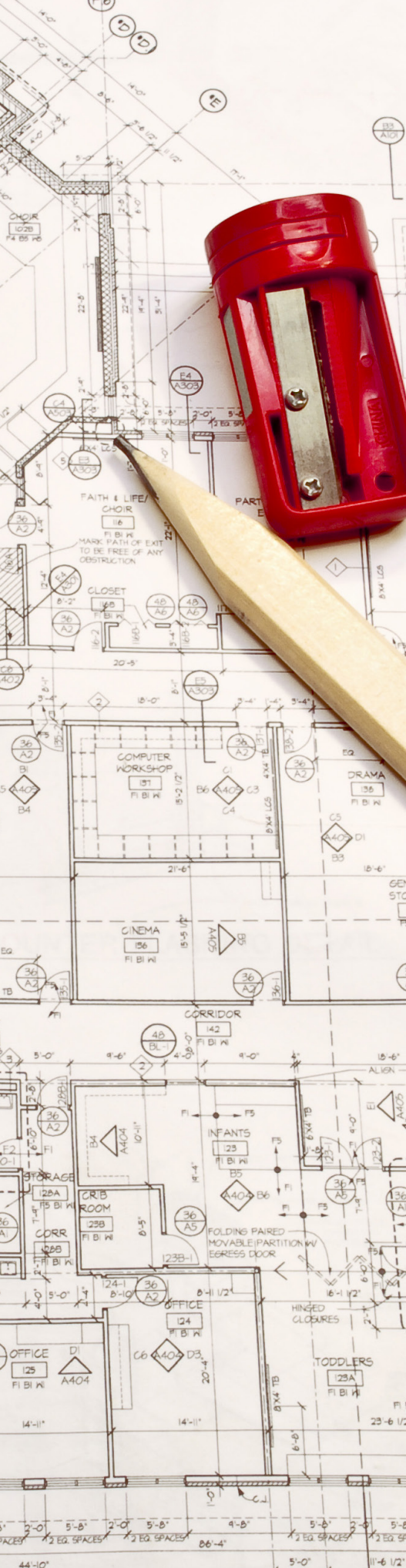
R&D TAX CREDIT

[Architecture and engineering firms may want to take another look at the often-forgotten Research & Development \(R&D\) Tax Credit.](#) The R&D tax credit provides dollar-for-dollar cash savings each year for companies performing activities related to developing new or improved products and processes. Each year, this lucrative credit yields billions of dollars in federal and state benefits to companies engaged in qualified research. [The United States Tax Court \(USTC\) recently granted a summary judgment in favor of a taxpayer performing Architectural services.](#)

Taxpayers within the Architecture and Engineering industry

KBKG SERVICES

- Research & Development Tax Credit
- Cost Segregation
- Repair vs. Capitalization Review
- Fixed Asset Review
- 45L Credits for Energy Efficient Residential Developments
- 179D Incentive for Energy Efficient Commercial Buildings
- Transfer Pricing
- IC-DISC



undertake a scientific approach to evaluate design alternatives. For example, activities falling within the Schematic Design, Design Development, and Construction Documents may potentially qualify for the R&D credit. Moreover, qualifying activities may also include systems engineering, Architecture Tradeoff Analysis Method (ATAM) techniques, Finite Element Analysis (FEA), Proof of Concept (POC), infrastructure design, Building Information Modeling (BIM), among others.

Case Study:

An architecture firm has an annual revenue of \$15 million. Their qualified activities resulted in over \$500,000 in federal and state R&D tax credits.

EMPLOYEE RETENTION TAX CREDIT

Another credit that any architecture and engineering firm should consider is the Employee Retention Tax Credit (ERTC). The ERTC was created as part of the CARES Act to encourage businesses to keep staff on payroll. The credit is offered to the employer for wages paid to eligible employees. Recent changes extended the credit through the end of 2021 and allowed for the ERTC to be utilized by companies that received PPP loans.

Case Study:

A company with 20 employees on payroll may be eligible for up to \$100,000 of refundable credits in 2020, and \$140,000 of refundable credits for each qualifying quarter in 2021 (\$560,000 potential total for 2021).

179D TAX DEDUCTION

Last December, Congress made the 179D tax deduction permanent within the tax code. This tax deduction rewards architects, engineers, and designers of government buildings with a federal tax deduction of up to \$1.80 per square foot in return for creating an energy-efficient design. This tax deduction will increase annually starting in 2021.

Case Study:

A 115,000 square foot government-owned building qualified for a maximum 179D tax deduction of over \$200,000.

Since 1999, we have claimed over \$1 billion in tax benefits for businesses to date. Let us serve you or partner with you to assist a client. It is time to maximize your tax benefit potential. Contact [Lon O'Connor](#) and [Michelle Snyder](#) for a free estimate.

- [» Learn more about the R&D tax credit](#)
- [» Learn more about ERTC](#)
- [» Learn more about the 179D tax deduction](#)

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Kevin is a Principal and Practice Leader of KBKG's [Research and Development \(R&D\) Tax Credit Services](#) from our Pasadena headquarters. He has over 14 years of consulting experience providing R&D tax credit services to companies of various sizes. Prior to KBKG, he spent nearly a decade at PricewaterhouseCoopers focusing on securing R&D Tax Credits for Fortune 500 companies. Kevin enjoys working with small to mid-size business owners and over his career has documented hundreds of millions of dollars in research credits. [» Full Bio](#)



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Paul McVoy is a Principal for KBKG's [R&D Tax Credit Consulting practice](#), overseeing the practice from our [New York office](#). In this role, Paul devotes his time to consulting companies in maximizing their R&D tax credit claims. Prior to joining KBKG, Paul was a manager at a Big Four accounting firm out of the Philadelphia, San Diego, and Los Angeles offices. [» Full Bio](#)



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