

How Specialty Tax Credits Can Help Tech Companies Stay In The US

For the past several decades, market trends have enticed the tech industry to expand overseas. Whether through full relocations or by outsourcing select services, many modern technology companies are tempted to leave the United States. However, leaving the country doesn't guarantee increased efficiency, productivity, or profitability. Specialty tax credits offer powerful motivation to stay in the US. These tax credits can change as laws evolve, so explore the most valuable tech tax credits currently available.

R&D Tax Credit For Increasing Research Activities (Form 6765)

Your company can receive tax credits for qualifying research and development (R&D) activities. Whatever niche of the tech industry you occupy, your team is almost certainly performing R&D. Projects that meet the following descriptions can qualify for this tax credit:

- Developing new prototypes or models
- Developing proprietary products and seeking patents for these products
- Developing a new manufacturing or business process
- Improving quality control processes
- Environmental or certification testing

These qualifications cover many basic aspects of the tech industry. Coding a new app, engineering new hardware, improving your current quality assurance workflow, maintaining industry certifications, and countless other elements of doing business count towards the R&D Tax Credit.

How To Claim The R&D Tax Credit

The R&D Tax Credit is considered a small-business tax credit. To qualify, you must be a non-publicly traded corporation, partnership, or sole proprietorship. Revenue is capped at an average of \$50 million or under in gross receipts over the previous three years. If your company qualifies, your credit can qualify you for up to \$1.25 million in tax offsets from your alternative minimum tax. The R&D Credit rewards your company simply for doing its job, offering a major incentive to remain in the United States.

Alternative Energy Vehicle Fuel Credits

Tech professionals are early adopters, so it's no surprise that many tech companies are moving towards electric and alternative vehicles. Not every tech company maintains a vehicle fleet. If you provide remote, cloud-based, or consulting services, your company may not need vehicles. However, some tech companies perform on-site services, installations, deliveries, sales visits, and more. If you use alternative or electric vehicles for these purposes, you can explore a range of tax credits:

- Biodiesel and Renewable Diesel Fuels Credit (Form 8864)
- Alternative Fuel Vehicle Refueling Property Credit (Form 8911)
- Biofuel Producer Credit (Form 6478)

- Qualified Electric Vehicle Credit (Form 8834)
- Investment Credit For Rehabilitation And Alternative Energy (Form 3468)
- Plug-In Electric Drive Vehicle Credit (Form 8936)

How To Claim An Alternative Energy Vehicle Fuel Credit

Thanks to the range of alternative and electric vehicle credits available, there are many ways to claim these credits. Details like battery capacity, fuel method, and mileage can impact the amount of credit you receive. Some credits allow for up to \$7,500 of credit per vehicle.

Work Opportunity Credit (Form 5884)

The Work Opportunity Credit encourages companies to hire from traditionally underserved populations, including veterans, long-term unemployed individuals, and people receiving some forms of federal assistance. Additionally, you can receive this credit for hiring summer youth employees who live in federally designated empowerment zones.

Tech companies can welcome applicants from these demographics into their companies through several different strategies. Many major corporations run robust summer internship programs. You can target students from federally designated zones to qualify for the Work Opportunity Credit. Additionally, you can advertise entry-level or introductory positions to candidates receiving federal benefits. Applicants can often succeed in positions on your help desk or customer service teams with minimal training, making these positions ideal for people new to the field.

How To Claim The Work Opportunity Credit

The Work Opportunity Credit varies based on the hours your qualifying employees work, as well as which benefits category they fall under. Generally, you can claim a credit of \$2,400 or more during your employee's first year with your company. These programs allow you to build community stability in your area while also qualifying for valuable tax credits.

Tax Credits For Start-Ups

Tax credits designed with small businesses in mind are perfect for tech start-ups. Establishing a new company is a major undertaking, requiring investment in facilities, personnel, software, licensing, and many other costs. Small businesses and start-ups can claim tax credits on a variety of expenses, including:

- Credit for Small-Business Health Insurance Premiums (Form 8941)
- Employer Credit For Paid Family And Medical Leave (Form 8994)
- Tax Credit For Small Employer Pension Plan Startup Costs And Auto-Enrollment (Form 8881)

How to Claim Tax Credits For Start-Ups

These tax credits are ideal to help offset the many costs of starting a business. Depending on the size of your company, you can claim up to 50% of qualifying costs as tax credits. Staff is one of your most important investments, especially in the tech industry. Tech specialists have valuable skillsets and are in high demand. Start-up and small business tax credits help you offer the benefits necessary to attract and retain the world's top talent, all while operating out of the US.

IMPORTANT: This written material has been prepared based on sources which you provided. Neither Flocksy or the creative who wrote the copy makes any claims whatsoever as to the accuracy of the information contained within, and they are not responsible for any legal or financial difficulty resulting from the use of this written material. We encourage you to review it thoroughly before disseminating it or using it in trade.

SOURCES USED:

- <https://www.ncsl.org/research/fiscal-policy/state-tax-incentive-evaluations-database.aspx>
- information in brief