



# Black Line Group

Informational Brochure - 2017

# BLACK LINE GROUP

## Does your company...

- Manufacture products?
- Develop new, improved, or more reliable products/processes/formulas?
- Develop prototypes and models, including computer generated models?
- Design tools, jigs, molds and dies?
- Develop or apply for patents?
- Perform certification testing?
- Conduct testing of new concepts and technology?

Making it possible for **small and mid-sized businesses** to take advantage of a **tax credit** almost exclusively used by big business.

*helping small and mid-sized businesses...*

## A Missed Opportunity – Until Now

When Congress enacted the R&D (research and development) Tax Credit over thirty-two years ago, it fully intended for the Tax Credit to be used by businesses of all sizes. However, it did not turn out that way for a variety of reasons – the complexity of the documentation, the cost of hiring experts to do the documentation and the general confusion over what does and doesn't qualify. Many small and mid-size businesses and their tax advisors felt it was simply not viable to go after this tax credit. So, the only companies taking advantage of this benefit were big businesses.

Black Line Group™ is changing that. Specializing in working with small and mid-size businesses, Black Line Group's tax specialists have worked extensively in this specialized area of the tax code. These seasoned professionals can quickly assess whether your company's activities qualify for the R&D Tax Credit.

While the majority of our clients tend to be small and mid-size businesses with revenues up to \$250 million, our team also performs R&D Tax Credit studies for Fortune 500 companies.

## ABC's of R&D

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### *We don't replace your CPA*

While our team includes CPAs, we are not a public accounting firm, and our services do not create conflicted loyalties.

### *What you should know about the R&D Tax Credit*

Every successful company is potentially eligible for this credit. Depending on the business, even your day-to-day operations qualify. It's just a matter of having a total understanding of what is and isn't allowed with this credit.

Guidance in recent years by the federal government has clarified the R&D Tax Credit rules in a more favorable light, suggesting that more companies are eligible than previously thought. Big business is getting 93% of all R&D Tax Credit dollars – that's \$5 billion in tax credits. Small and mid-size businesses deserve their fair share. After all, they represent over 98% of businesses in the U.S.

The tax credit is in addition to the tax deduction for R&D expenses. It is an actual dollar-for-dollar reduction against taxes currently owed and against taxes previously paid.

This credit is usually available for the last three years in addition to the current year. However, a business can take the credit for any open tax year. Additional years may be available if the business is operating at a net loss.

Tax credits can carry forward for twenty years.

## When You Qualify for the R&D Tax Credit

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- The IRS sends you back cash – often lots of it.
- Your company's overall effective tax rate will be lowered.
- Your company's market value, earnings per share and cash flow will increase.

keeping your  
bottom line **in the BLACK**  
with the R&D Tax Credit

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### Does your company...

- Develop new technology?
- Attempt using new materials?
- Perform environmental testing?
- Add new equipment?
- Develop or improve production/manufacturing processes?
- Develop software or hardware?
- Improve or build new manufacturing facilities?
- Automate/streamline internal processes?

### Or does your company...

- Hire outside consultants and/or contractors to do any of these activities?

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## **Black Line Group Pricing**

Black Line Group has created a pricing structure that makes it possible and affordable for small and mid-size businesses. Initially, we will assess your situation at no cost. This assessment will indicate whether it's worth your while to do an R&D Tax Credit study.

## **Time and Materials**

Black Line Groups charges on a time and materials basis. On average, a typical engagement can take between 40 and 150 hours, depending on how many years are included in the scope of the project.

Black Line Group will be happy to discuss pricing to provide you with enough information to make the best decision for your business.

## **State Credit Opportunities...**

Many states have R&D credit opportunities. We will determine if state credits may also be available.

## **Our Approach**

Black Line Group uses extensive industry experience and a formalized methodology to identify and substantiate qualified R&D costs throughout your company.

### ***Phase I: Assessment and Feasibility***

The purpose of Phase I is to determine whether your company qualifies and is therefore entitled to an R&D Tax Credit. During this phase we conduct preliminary interviews to identify projects, departments, processes and technologies where potential qualifying R&D expenditures may be found. Based on this information, we determine the potential tax savings and future benefits of conducting an R&D Tax Study.

### ***Phase II: Documentation***

This phase involves the thorough analysis and documentation of technical issues related to qualified R&D projects and activities.

Black Line Group identifies and documents the R&D activities and related spending. This phase is generally performed at your location and will include the interviewing of additional personnel.

### ***Phase III: Reporting***

This phase includes the submission of the R&D Study for client review. It also serves as documentation for the company to support their claims for the R&D Tax Credit. The preparation of the required amended tax returns is completed during this phase by your CPA with assistance from Black Line Group.

## The “Four-Part Test”

- *Permitted Purpose*

- Intended to develop or improve a product or processes
  - Functionality/Performance
  - Quality/Reliability
  - Cost Reduction
- Not Aesthetics

- *Process of Experimentation*

- Evaluation of Alternatives
- Prototyping/Testing/Modeling/Simulation

- *Technical Uncertainty*

- Capability or Methodology uncertainty for developing or improving a product or process
- CAN we reach our goal? HOW are we going to reach our goal?

- *Technological in Nature*

- Activity must rely on principles of one of the following sciences
  - Engineering
  - Physical Sciences
  - Computer Sciences
  - Biological Sciences
- Not Social, Economic or Psychological Sciences

### Qualifying Costs:

**Wages, Supplies and Contractor Research**

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## Frequently Asked Questions

### ***Is this something new?***

No, the R&D Tax Credit has been available for over twenty-eight years. However, because it is a specialty area within the tax code that is very complex, many companies have never taken advantage of this lucrative tax credit, even though they qualify. The good news is that in the past few years, there has been significant clarification to the R&D tax code that establishes a more lenient interpretation of what qualifies.

### ***How will this affect my existing relationship with my tax advisor/CPA?***

The relationship with your existing tax advisor/CPA should not be affected. The R&D Tax Credit is a highly specialized area. Black Line Group's R&D tax specialists work in this one area and this one area alone. That is another way of saying that Black Line Group works with your current tax/CPA firm. It is similar to the relationship of a primary care physician and a specialist. While your current tax advisor is fully capable, they are not likely specialists in the R&D Tax Credit area. The Black Line Group R&D specialist is willing to coordinate the delivery of the R&D study with your tax/CPA firm. We are not in competition and are not looking to replace any existing relationship. Black Line Group just wants to maximize your R&D tax credits.

### ***How long before I realize the cash benefit from this study?***

It typically takes three months to receive the credit after the forms are filed. However, you may realize a cash benefit even sooner if the R&D Tax Credit reduces a tax balance currently due (i.e. estimated tax payments).

### ***What does the Black Line Group R&D study cost?***

Black Line Group charges on a time and materials basis. On average, a typical engagement can take between 40 and 150 hours, depending on how many years are included in the scope of the project.

Black Line Group will be happy to discuss pricing to provide you with enough information to make the best decision for your business.

### ***What is the time commitment from my team?***

A typical R&D tax study takes 10-15 hours of your team's time. The exact amount depends on your company's structure and the amount of R&D spending your company is currently doing. Usually members of the finance and engineering/R&D personnel should anticipate spending some time with our consultant.

### ***What disadvantages are there if I postpone the R&D study to a later date?***

Since the R&D Tax Credit is available for the current year and the three prior years, there is a chance that postponing the study to a later date may result in lost credits from the earliest year. These credits are lost forever!

### ***If I am not developing new products for the marketplace, do I still have any R&D?***

Yes, you may qualify for the R&D credit without developing new products. Products and process enhancements/improvements may also qualify. Below is a list of activities that may qualify for the R&D Tax Credit:

- Developing new or improving existing production/manufacturing processes
- Developing formulations – drugs, food or chemicals
- Assisting customers with design or development
- Designing or customizing equipment used in the production process
- Developing or applying for patents
- Designing tools, prototypes, molds or dies.

### ***Spending is down over prior years.***

#### ***Can I still have a credit?***

Yes, you may qualify for the credit without increasing R&D spending year after year.

# Black Line Group

## To learn more about our R&D Tax Credit services:

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