



CASE STUDY

BY Growth Management Group



Civil Engineering Firms Losing Out on Millions

All across the nation, Civil Engineering Firms are consistently missing out on millions of dollars in Federal Tax Incentives!

How?

Simple. Federal Tax Incentives have been crafted, passed, and signed into law making hundreds of millions of dollars available. For some reason, Civil Engineering firms consistently fail to capture the money allocated for them.

Why?

Part of it is the fault of government and their lack of effective naming of the Incentives they pass. The Section 41 Credit is inadequately named the “Research Credit”. This poor title makes it sound like it was created to provide funding for medical laboratories. Fortunately the Incentive is so broad, that almost all U.S. based Manufacturing, Engineering, Software Development, and Fabrication firms qualify for money.

How much is available?

“We have found Civil Engineering firms...are able to qualify for approximately 25% of total company payroll.”

We have found Civil Engineering firms, on average, are able to qualify for approximately 25% of total company payroll. For example, a typical firm with a \$2,000,000 company payroll will be able to qualify \$500,000

of their payroll toward the Section 41 Incentive. The gross benefit of this would be anywhere from \$25,000 – \$50,000 per year

(and firms are allowed to go back three open tax years!).

Why doesn't the CPA just handle this?

To put it bluntly, they are not qualified. Specialized tax incentives such as this are extremely technical and backed by myriads of case law. CPAs do not have the time nor the knowledge to investigate, determine, procure, and defend specialized tax incentives such as the Section 41.

How should Civil Engineering firms determine their qualification?

First off, *they should not file another tax return or remit the next quarterly estimated payment until they have consulted a specialist in this area*. A true specialist will be able to provide a solid estimate of benefits through a brief phone consultation.

Please do not let the government's failure to name an Incentive properly keep you from capturing your benefits in full. Nearly all Civil Engineering firms qualify for Section 41 money!

GMG Partnership with Smarttax

Smarttax has partnered with Growth Management Group (GMG) to deliver specialized tax incentives. GMG believes wholeheartedly in building Strategic Partnerships and actively reaching out to industries and organizations that would benefit from such a partnership.

Growth Management Group's Specialized Tax Group has helped our clients find \$300M in benefit through Specialized Tax Incentives. Formed in 2004, GMG's slogan “Your Growth Is Our Business” is more than just a mantra, it's a way of doing business.

An “Overlooked” Industry

Architects and Civil Engineering Firms are an example of “overlooked” industries that could be taking R&D credits, but many are not.

Top misunderstandings about these firms:

They don't qualify for the credit because they are not "Manufacturing" Section 41 was not designed exclusively for Manufacturers, although they are the most common client for R&D Tax Credits. However true qualifications are based on activities performed by the company. In fact, Architectural, Engineering, and Construction (AEC) often qualify at much higher rates than traditional manufacturers for these tax credits.

The Client is too small to qualify for the R&D Tax Credit Not necessarily true: technical based firms may qualify even if well below the typical million dollar payroll threshold. The reason for

“This means a \$400k payroll...could yield a higher tax credit than a \$2.4 million payroll...”

this can be found in the way that the credit is calculated. The credit is *not* based on total annual payroll, it's based on total annual payroll multiplied by what percentage of that payroll is a qualified

activity for the credit, based on the IRS definition of Qualified Activities.

This means that a \$400K payroll for a technically based company could yield a higher tax credit than a \$2.4M annual payroll of a general manufacturer.

Client Roster Includes



Fee Schedule

Smarttax (via GMG) agrees to complete the GMG Incentive Analysis at **no cost to the client**. If analysis demonstrates sufficient benefit to the client, GMG procurement fees will be charged on a per project or hourly basis in accordance with Circular 230. Procurement fees not to exceed ten (10) percent for Cost Segregation, thirty-five (35) percent for Research & Development Credits, fifteen (15) percent plus access fee for Hiring-based Incentives, and fifty (50) percent for Property Tax Mitigation.

GMG Audit Guarantee

Smarttax works with GMG to provide the tax savings benefits. If at anytime GMG's work, methodologies or calculations are challenged or scrutinized by the IRS, GMG will offer the defense support necessary to explain or illustrate their findings. GMG follows strict IRS Guidelines, revenue rulings and case law. To date, GMG has had had zero disallowances. GMG also has engineering studies in all 50 states serving clients in multiple disciplines including: *Cost Segregation, Research & Development Credits and Property Tax Appeals*.



**INJECTION MOLDING FIRM
SAVINGS \$230,000**



**PARTS MANUFACTURER
SAVINGS \$1,000,000**



**ADHESIVE MANUFACTURER
SAVINGS \$190,000**



**ENGINEERING & DESIGN FIRM
SAVINGS \$320,000**



**CIVIL ENGINEERING FIRM
SAVINGS \$115,000**



**JOB MACHINE SHOP
SAVINGS \$99,000**