

## Claim available tax credits

The U.S. offers a variety of tax credits and other incentives to encourage employment and investment, often in targeted industries or areas such as innovation and technology, renewable energy and low-income or distressed communities. Many states and localities also offer tax incentives. Businesses should make sure they are claiming all available tax credits.

- ☐ The Employee Retention Credit (ERC) is a refundable payroll tax credit for qualifying employers that were significantly impacted by COVID-19 in 2020 or 2021. For most employers, the compensation eligible for the credit had to be paid prior to October 1, 2021. However, the deadline for claiming the credit does not expire until the statute of limitations closes on Form 941. Therefore, employers generally have three years to claim the ERC for eligible quarters during 2020 and 2021 by filing Form 941-X (an amendment of a previously filed Form 941) for the relevant quarter. Employers that received a Paycheck Protection Program (PPP) loan can claim the ERC but the same wages cannot be used for both programs.
- ☐ Businesses that incur expenses related to qualified research and development (R&D) activities are eligible for the federal R&D credit.
- ☐ Small business start-ups are permitted to use up to \$250,000 of their qualified R&D credits to offset the 6.2% employer portion of social security payroll tax. The IRA doubles this payroll tax offset limit to \$500,000, providing an additional \$250,000 that can be used to offset the 1.45% employer portion of Medicare payroll tax.
- ☐ Taxpayers that reinvest capital gains in Qualified Opportunity Zones may be able to temporarily defer the federal tax due on the capital gains. The investment must be made within a certain period after the disposition giving rise to the gain. Post-reinvestment appreciation is exempt from tax if the investment is held for at least 10 years but sold by December 31, 2047.
- ☐ The New Markets Tax Credit Program provides federally funded tax credits for approved investments in low-income communities that are made through certified “Community Development Entities.”
- ☐ Other incentives for employers include the Work Opportunity Tax Credit, the Federal Empowerment Zone Credit, the Indian Employment Credit and credits for paid family and medical leave (FMLA).
- ☐ There are several federal tax benefits available for investments to promote energy efficiency and sustainability initiatives. The IRA extends and enhances certain green energy credits as well as introduces a variety of new incentives. Projects that have historically been eligible for tax credits and that have been placed in service in 2022 may be eligible for credits at higher amounts. Additionally, projects that begin construction under the tax rules prior to 60 days after the Department of the Treasury releases guidance on these requirements are eligible for the credits at the higher rates. Certain other projects may be eligible for tax credits beginning in 2023. The IRA also introduces prevailing wage and apprenticeship requirements in the determination of certain credit amounts, as well as direct pay or transferability tax credit monetization options beginning with projects placed in service in 2023.
- ☐ Under the CHIPS Act, taxpayers that invest in semiconductor manufacturing or the manufacture of certain equipment required in the semiconductor manufacturing process may be entitled to a 25% advanced manufacturing investment credit beginning in 2023. The credit generally applies to qualified property placed in service after December 31, 2022 and for which construction begins before January 1, 2027. Where construction began prior to January 1, 2023, the credit applies only to the extent of the basis attributable to construction occurring after August 9, 2022.