

Tax Relief for CAWG Members

Secretary Mike Johanns
Reed Showalter, CPA

Secretary Mike Johanns

Former Secretary of Agriculture
alliantgroup Chairman of Agriculture

- U.S. Secretary of Agriculture from 2005-2007
- Governor of Nebraska from 1999-2005
- U.S. Senator for Nebraska from 2009-2015
- Over 30 years of experience at virtually every level of government
- Extensive background in agriculture and rural economic development
- As Secretary of Agriculture, he managed 18 federal agencies and opened or expanded access to 40 international markets



Reed Showalter

alliantgroup Managing Director

Reed Showalter is the Managing Director of alliantgroup's Pacific Northwest Region and a member of both the AICPA and the California Society of CPAs. He has more than 20 years of experience in accounting, tax and business consulting and was part of the senior team for several large regional accounting firms that advised clients on various tax issues.

Born and raised in central Nebraska as a farmer, Reed is passionate about helping the agriculture and food processing industries. As alliantgroup's National Practice Leader for Agriculture, Reed has helped numerous companies in the agriculture industry.

FOUND
MORE
THAN **\$8**
BILLION
IN GOVERNMENT
INCENTIVES

PARTNERSHIPS
WITH MORE THAN
4,000
CPA FIRMS

MORE THAN
38,000
STUDIES
COMPLETED

MORE THAN
140,000
JOBS
CREATED

MORE THAN
16,000
BUSINESSES
SERVED

Our Leadership Team



Tom Ridge

Former U.S. Secretary of Homeland Security; alliantgroup Chairman of Cybersecurity and Technology



Mike Johanns

Former U.S. Secretary of Agriculture; alliantgroup Chairman of Agriculture



Bob Riley

Former Alabama Governor and U.S. Congressman; alliantgroup Director



Kit Bond

Former Missouri Governor and U.S. Senator; alliantgroup Senior Advisor



Jim Ramstad

Former U.S. Congressman and Chairman of the IRS Oversight Committee; alliantgroup Senior Advisor



Rick Lazio

Former U.S. Congressman; alliantgroup Senior Vice President



Harold Ford, Jr.

Former U.S. Congressman; alliantgroup Strategic Advisory Board Member



Joe Crowley

Former U.S. Congressman; alliantgroup Strategic Advisory Board Member



Mark W. Everson

Former IRS Commissioner; alliantgroup Vice Chairman



Steven T. Miller

Former IRS Acting Commissioner; alliantgroup National Director of Tax



Kathy Petronchak

Former IRS Commissioner of Small Business/Self-Employed Division; alliantgroup Director of IRS Practice & Procedure



Dean Zerbe

Former Senior Counsel to the U.S. Senate Finance Committee; alliantgroup National Managing Director



Dawn Levy O'Donell

Former Counsel to the U.S. Senate Finance Committee; alliantgroup Director



Frank Tirelli

Former Chairman and CEO of Deloitte Italy, Vice Chairman of Deloitte US; alliantgroup Vice Chairman of Professional Services



Jim Brady

Former Vice Chair and COO of Grant Thornton LLP; alliantgroup Strategic Advisory Board Member

**Former IRS
Commissioners:
MARK W. EVERSON
STEVEN T. MILLER
KATHY PETRONCHAK**



**Former Counsels
to the Senate
Finance
Committee:
DEAN ZERBE
DAWN LEVY**

**ARCHITECTS | ENGINEERS | CHEMISTS | BIOLOGISTS
SOFTWARE DEVELOPERS | PhDs**

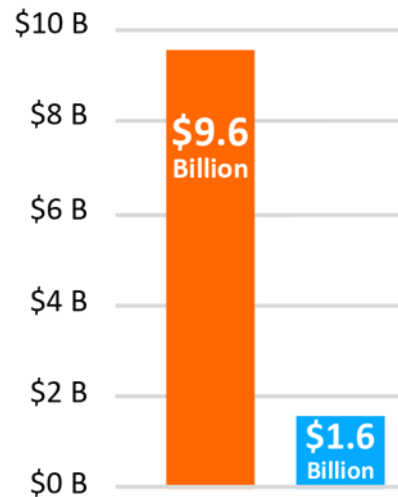
COVID-19: Tax Relief and Immediate Cash Generating Options

The R&D Tax Credit— For what amounts to their daily activities, companies from a wide-range of industries can qualify for federal and state tax savings high enough to allow companies to hire new employees, invest in new products and service lines, and grow their operations

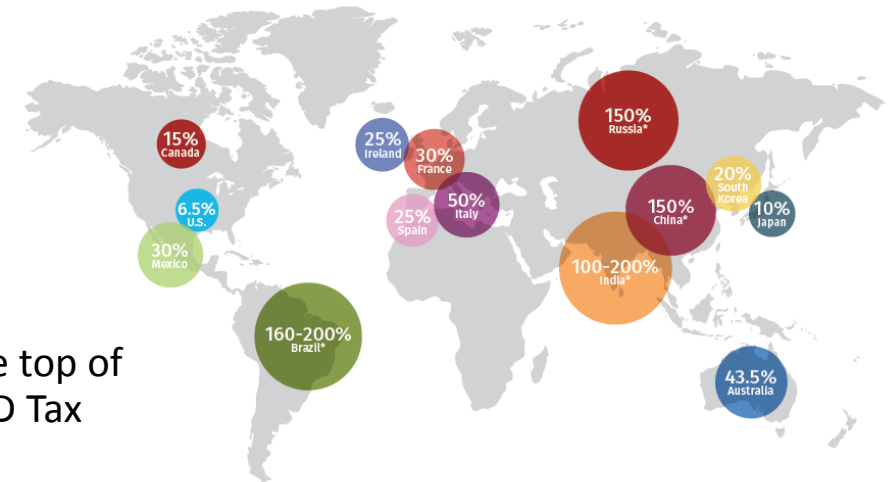
R&D Tax Credit

R&D Tax Credits Executive Summary

- **16,600+** firms annually claim the credit, receiving over **\$11.2 billion** in federal tax credits
 - **\$9.6 billion** for companies with more than \$250 million in gross receipts
 - **\$1.6 billion** for companies with less than \$250 million in gross receipts



- Manufacturing remains at the top of the list with **37.5%** of the R&D Tax Credit claims.
- United States ranks **#27** in the world for the R&D Credit generosity (credit: ITIF.org)
- State R&D credits – **40** and counting



Benefit of the R&D Tax Credit

- A **TAX CREDIT** is a dollar-for-dollar reduction in taxes paid or taxes payable
- Any taxable entity (C-Corp, S-Corp, LLC, partnership, Sch. C) can claim the R&D tax credit.
- Credit available in all open tax years (2016 – 2019)
- **The PATH Act**
 - R&D CREDIT IS MADE PERMANENT
 - Starting with taxable years beginning on 1/1/16, “eligible small businesses” (ESB) may use the credits to reduce tax below TMT.
 - $ESB \leq 50 \text{ M (2014 – 2018) / Average}$
- **Tax Cuts and Jobs Act**
 - More opportunity to use credits based on changes to the tax code.

Traditional vs Tax

TRADITIONAL DEFINITION =
New to the World



TAX DEFINITION =
New to the Taxpayer



Qualified Research Expenditures

WAGES



Form W-2, Partnership Earnings
subject to SE Tax, Schedule C

Excludes 401(k) & benefits

SUPPLIES



Cost to fabricate
prototypes/items consumed in
R&D process

65% OF CONTRACT RESEARCH



Fees paid to outside
consultants/subcontractors/
engineers/software developers

Qualified Research Activities *(examples)*

- Development of improved product formulations and mixing methodologies
- Testing of product for quality assurance of aroma, flavor profile and shelf life
- Introduction of new or improved bottling and packaging processes
- Improvements in plant irrigation systems, water recycling or waste management processes
- Evaluation of soil and rootstock for improved farming techniques
- Experimentation of new strains of grapes
- Development of custom software for distribution, e-commerce and customer management
- Improved preservative chemical development

Case Studies

WINERY

Annual Revenue: \$1.5 MM

Credit Result: \$352,357 in Federal and State Credits

- Analyzing new grape varieties, clones, and root stocks for new and improved wine products that meet quality and flavor profile;
- Evaluating extraction and fermentation methods during product development to improve the quality of the wine;
- Evaluating alternative formulations and barrel programs to achieve wine quality and flavor profile;
- Evaluating machinery improvements and configurations to determine the appropriate layout and integration of equipment to achieve functionality specifications.

WINERY

Annual Revenue: \$10.7 MM

Credit Result: **\$216,136** in Federal Credits

- Development of improved product formulations and mixing methodologies
- Introduction to new or improved bottling and packaging processes
- Improvements in plant irrigation systems, water recycling or waste management processes
- Development of custom software for distribution, e-commerce and customer management

WINERY AND CELLAR

Annual Revenue: \$27 MM

Credit Result: \$497,746 in Federal Credits

- Development of improved product formulations and mixing methodologies
- Introduction to new or improved bottling and packaging processes
- Testing of product for quality assurance of aroma, flavor profile and shelf life
- Experimentation with new strains of grapes

Thank you!

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