



INDUSTRY MATRIX FOR TAX SAVING OPPORTUNITIES (updated 05-16-17)

Industry	R&D Tax Credits	Repair /Asset		179D Tax Deductions	Cost Segregation	IC-DISC	199 DPAD Deduction
		Retirement	45L Tax Credits				
Affordable Housing		X	X	X	X		
Agriculture, Forestry & Fishing	X				X	X	
Architecture & Engineering	X			X	X	X	X
Auto Dealerships		X		X	X		
Communications & Utilities	X	X		X	X		
Construction	X				X		X
Film & Music	X	X		X	X	X	X
Financial Services		X			X		
Government Contractors	X	X		X	X	X	
Healthcare		X		X	X		
Hotels		X		X	X		
Logistics & Distribution		X		X	X	X	X
Manufacturing	X	X		X	X	X	X
Mining	X				X	X	
Multifamily Developers		X	X	X	X		
Oil & Gas	X	X			X		
Pharmaceutical	X	X		X	X	X	X
Professional Services		X			X		
Real Estate		X			X		
Restaurants		X			X		
Retail		X		X	X		
Technology/Software	X	X		X	X	X	X
Transportation					X		
Wholesale Trade		X		X	X	X	

Call us today at **877-525-4462** to see how we can help you and your clients better understand these opportunities and secure these specialty tax incentives.

NATIONWIDE SERVICE



Identifying Value-Added Tax Opportunities (updated 05-16-17)

KBKG Service	Description & Highlights	Applicable Clients/Industries	How much is it worth?	Years	Tax considerations
Research & Development Tax Credits (Federal & State)	Federal and State tax credit - designed to promote technological innovation in US companies. Research must be conducted in the US, not abroad. Most Qualified Expenses are wages paid to employees conducting certain activities. Payments to contractors doing R&D for Client may also qualify.	<ul style="list-style-type: none"> • Manufacturing • Architects • Food Processing • Software Development • High Tech • Equipment or tools <ul style="list-style-type: none"> • Clients developing prototypes, testing, applying for patents, upgrading systems/software • Clients improving products or • Improving their manufacturing processes 	Federal Benefit - Roughly 6.5% of their total Qualified R&D Expenses Ex. Client has \$1M/year of wages related to R&D. Benefit = \$65k/year. Many states also allow an R&D credit. For example, CA R&D Credit is worth an additional 6% of Qualified R&D expenses.	Any open tax year. 3 year Federal Statute and 4 years for some states.	General Business Tax Credit • Dollar-for-dollar reduction in income tax liabilities. • 1 year Carryback / 20 year carryforward of unused credits. • Qualified small businesses can reduce alternative minimum tax liabilities. • Qualified start-up companies can offset up to \$250,000 in payroll taxes.
Cost Segregation (Federal & State)	Allows taxpayers who have constructed, purchased, expanded, or remodeled any kind of real estate to accelerate depreciation deductions by reclassifying building components into shorter tax lives.	Any building with over \$750k of depreciable tax basis. Any leasehold improvement with over \$500k of depreciable tax basis.	Net Present Value = 3-6% of the total building cost. Ex. \$2M office can yield an NPV of \$60k-\$120k.	Assets acquired in the last 20 Years. Use Form 3115 to claim missed deductions anytime.	• Reduces AMT • Generally, 2 year NOL carryback and unused deductions carryforward. • Must recapture personal property upon sale of building.
Repair v. Capitalization Review "Asset Retirement Study" (Federal)	New rules allow you to assign value to "structural" components removed from a building and write off the remaining basis! Regs also clarify repair expense treatment of many types of building costs such as HVAC or roof replacements. KBKG also provides compliance consulting for repair and disposition regulations.	Any building renovation costs > \$400k Retirement Study- Building is renovated AFTER owning it at least 1 year. Building should have >\$500K of remaining depreciable basis left. Repair Study- renovations that include roof, HVAC, windows, lighting, plumbing, ceilings, drywall, flooring, etc.	Additional Year 1 deductions of 15%-40% of renovation costs (On top of benefits from 1245 reclassification) Ex. Client spends \$3M on structural renovations. Additional Year 1 deductions of \$450K-\$1.2M.	Any building renovated or improved in the last 15 Years. Use Form 3115 to claim missed deductions anytime.	• Depending on specific issue, may require a separate 3115 if doing concurrently with a depreciation change.
Fixed Asset Tax Review (Federal)	Comprehensive review of company's entire Fixed Asset listing & supporting documents to assign appropriate tax lives, identify retirements, and correct items that should be expensed. Includes Cost Segregation & Repair analysis.	Operations with > \$40M in real property or > 1,000 lines of fixed assets. <ul style="list-style-type: none"> • Retail, Restaurant, Bank and Hotel Chains of 10 or more • Manufacturing • Utility Companies 	Net Present Value of 5-8% of total building related costs. Ex. Manufacturing client has \$60M of 39 year fixed assets. NPV Cash value = \$3M - \$4.8M	Use Form 3115 to claim missed deductions anytime.	• Reduces AMT • Generally, 2 year NOL carryback and unused deductions carryforward. • Must recapture personal property upon sale of building.
Residential Energy Credits (Section 45L) (Federal / States can have similar programs)	Federal credit for developers of Apartments, Condos, or Spec Homes that meet certain energy efficiency standards. Units must be certified by a qualified professional to be eligible.	Anyone that built Apartments, Condos, or Track Home Developments in the last 4 years. Generally more than 20 units.	Federal Credit = \$2,000 per apartment/home unit. Many states have similar credits. Ex. 100 unit apartment/condo can get \$200,000 of Federal Tax Credits.	Any open tax year. 3 year Federal Statute	General Business Tax Credit • Credit is realized when unit is first leased or sold, not placed in service. • 1 year Carryback • 20 year carryforward. • Does not reduce AMT except for 2010. • 2010: ESB allows carry back 5 years. • Subject to passive activity loss rules • Credit reduces basis.



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<p>Commercial Energy Deductions (Section 179D) (Federal/ States can have similar programs)</p>	<p>Federal deduction for Architects, Engineers, and Design/Build Contractors that work on Public or Government Buildings such as Schools, Libraries, Courthouses, Military Housing etc. Also available to any commercial building owner.</p>	<ul style="list-style-type: none"> • 179D for Designers: Architects, General Contractors, Engineers, Electrical & HVAC Subcontractors. • Any Building Owner or Lessee: That has constructed a commercial improvement greater than 40,000 SF since 1/1/2006. 	<p>\$.30 up to \$1.80 per square foot in Federal Tax Deductions. Ex. 100,000SF building is eligible for \$180,000 in deductions.</p>	<p>Designers: Open tax years. 3 year Federal Statute Owners: Can go back to 2006 with Form 3115 to claim missed deductions.</p>	<ul style="list-style-type: none"> • Reduces AMT • Generally, 2 year NOL carryback and 20 year carryforward. • Deduction reduces basis in real property.
<p>CA Competes Credit (State)</p>	<p>California income tax credits designed to stimulate growth throughout the state.</p>	<p>CA Competes Credit: Growing business clients who anticipate hiring additional employees, constructing new buildings, or investing in new equipment.</p>	<p>Must apply for credits. Up to \$37,000 per eligible employee, over a 5 year period. Generally 15-35% of employees qualify. Equipment- Credit is equal to Sales Tax paid.</p>	<p>Any open tax year. 4 year CA State Statute</p>	<ul style="list-style-type: none"> • Credits will reduce taxes on owners W2 wages and personal return. • Credits flow through to owners. • Credits will offset tax at the S-Corp level.
<p>IC-DISC Federal Income Tax Incentive (Federal)</p>	<p>The IC-DISC provides significant and permanent tax savings for producers and distributors of U.S.-made products and certain services used abroad.</p>	<p>Any closely held, privately owned business with over \$250,000 in profits from exports.</p> <ul style="list-style-type: none"> • Manufacturers • Distributors • Architects & Engineers • Agriculture and Food Producers • Software Developers • Other Producers 	<p>Minimum permanent 19.6% decrease in tax rate on half of export profits. Benefits can be dramatically higher by performing a transaction-by-transaction analysis.</p>	<p>Benefits begin when entity is formed. Transaction-by-transaction analysis for existing IC-DISC calculations can be amended for any open tax year (3 year Federal Statute).</p>	<ul style="list-style-type: none"> • Requires annual filing 1120 IC-DISC. • No changes to business operations.

For an electronic copy of our service matrix, contact us at 877.525.4462 or email info@kbkg.com