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## Research Tax Credit Opportunities for Architects and Engineers

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Although Architecture and Engineering (A&E) firms don't often claim tax credits, many may be eligible for Federal and state research & development (R&D) tax credits without realizing it. Historically, the R&D tax credit was geared to only benefit large companies; mostly in the manufacturing, software, high-tech and pharmaceutical industries. However, significant changes to the tax regulations over the past decade now allow for those designing buildings and their systems to benefit from R&D tax credits.

### Examples of design activities that may be eligible for tax credits include:

**Architects:** Developing new or improved designs; overcoming design obstacles through evaluating and considering different design alternatives; assessing design through various forms of modeling and computational analysis.

**Civil Engineering:** Analyzing land, grade and soil conditions; traffic management analysis; utility design; pavement & sidewalk design; and wastewater management system design.

**Structural Engineering:** Designing structures and structural components to withstand stresses and pressures. Factors include analysis of & experimenting with structural components, building materials, occupancy load, building use, environmental pressures, safety, soil and site considerations.

**Electrical Engineering:** Designing systems for optimal power, lighting, communications, alarm, lightning protection, grounding, and instrumentation & control; simulating daylighting conditions.

**Mechanical Engineering:** Designing systems for improving heating, cooling, humidifying/dehumidifying, cleaning, ventilating, and component integration for optimal effectiveness; conducting energy modeling for assessing energy efficient designs.

**Fire Protection Engineering:** Analyzing materials, structures, industrial processes, and transportation systems for fire hazards and properly designing fire protection system to mitigate fire damage

**Example of Benefits:** AB-Architects, a California firm founded in 2009 with gross receipts of approximately \$3M, paid \$500,000 in qualified wages towards research activities in 2013. The qualified expenditures yield a 2013 federal credit of \$50,000, while the California credit yields an additional \$37,500 in tax savings. Assuming the company has never claimed the R&D credit and is willing to amend returns for all open years, it could benefit from up to \$165,000 in additional credits for both Federal and California purposes for a cumulative benefit of \$252,500.

### About the authors

KBKG specializes in securing R&D tax credits, 179D & 45L energy tax incentives, hiring tax incentives, along with cost segregation studies. KBKG is a member firm of PrimeGlobal, one of the top five largest associations of independent accounting firms in the world. Kevin Zolriasatain is KBKG's R&D Tax Credit Practice Leader and is based out of KBKG's Los Angeles office while Michael Maroney is a manager based out of the Philadelphia office.