UNLOCKING R&D INCENTIVES IN THE AEC INDUSTRY

An Overview of Research & Development Tax Credits

- The R&D tax credit (formerly the Economic Recovery Act) was **adopted in 1981**
- Since its inception, it has been **extended 15 times** and has been expanded in its definition and application
- This is a **Federal Incentive** that rewards companies for innovation and technical problem-solving, not just traditional "lab coat" R&D
- In 2004 a revision to the code (IRS Code Section 41c) included a **Four Part Test** to help define qualifying activities, costs, and industries

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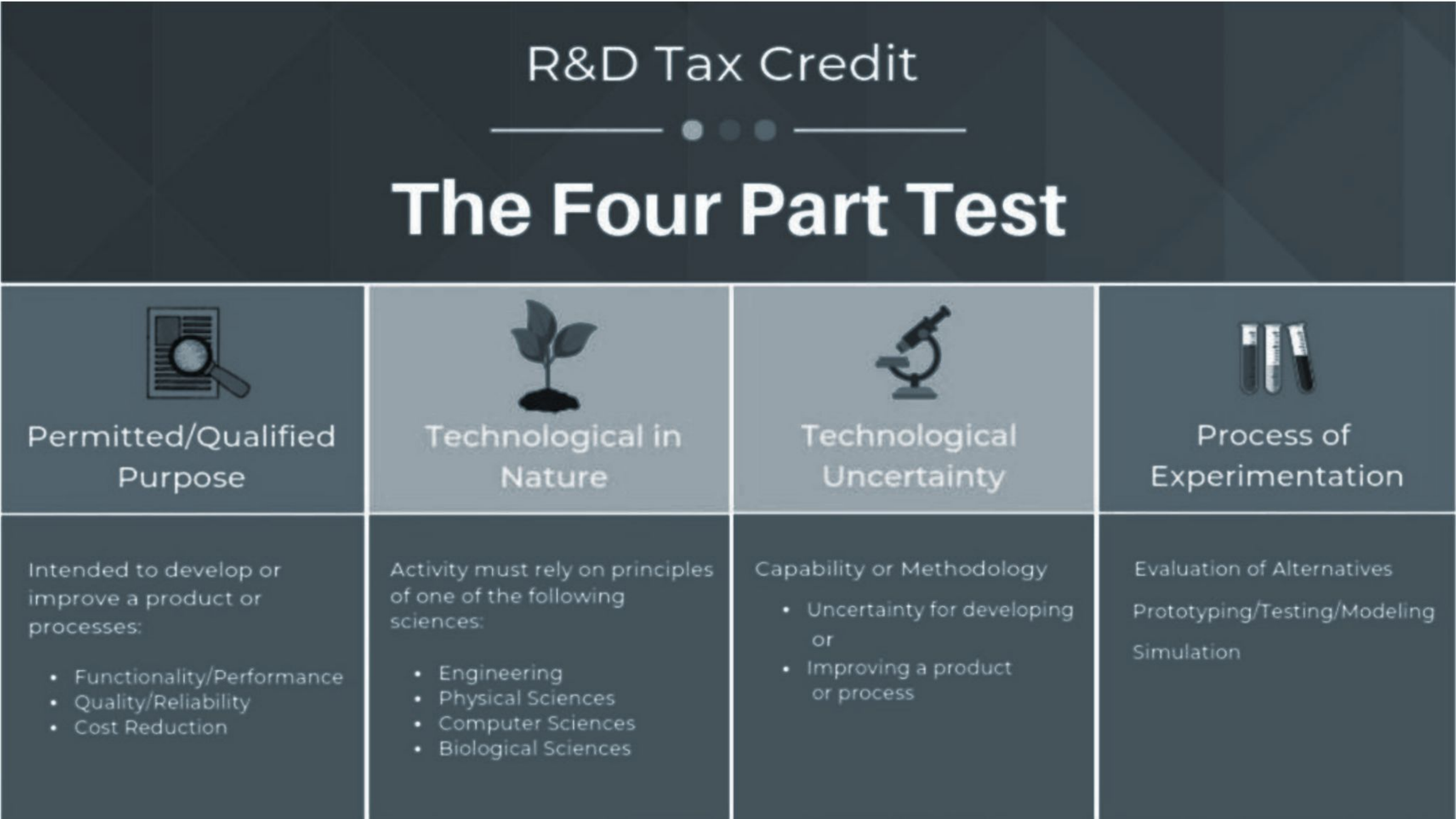
R&D Tax Credit
The Four Part Test
Permitted/Qualified Purpose
Intended to develop or improve a product or processes:
• Functionality/Performance
• Quality/Reliability
• Cost Reduction
Technological in Nature
Activity must rely on principles of one of the following sciences:
• Engineering
• Physical Sciences
• Computer Sciences
• Biological Sciences
Technological Uncertainty
Capability or Methodology
• Uncertainty for developing or
• Improving a product or process
Process of Experimentation
Evaluation of Alternatives
Prototyping/Testing/Modeling
Simulation

An Overview of Research & Development Tax Credits

- Every year, **Billions of Dollars** in Federal, State, and Local tax incentives and credits are **left on the table**, unclaimed by the very businesses they were designed to help
- These programs exist to **reward Innovation, Stimulate Local Economies,** and **Encourage companies to Grow, Hire, and Reinvest** in their operations
- Most business owners either aren't aware these incentives exist, assume they don't qualify, or find the application process too complex or time-consuming. As a result, the financial fuel that could be used to invest in equipment, expand payroll, or develop new capabilities simply goes unused
- For **Architecture** firms, this means getting credits for the technical challenges you solve every day: Sustainable Design Solutions, Complex Structural Engineering, custom BIM development, and more
- **The "Big Beautiful Bill" (Tax Cuts and Jobs Act of 2017)** has made these credits even more attractive by allowing immediate deduction of R&D expenses and expanding what qualifies as eligible activities, making it easier than ever for Architecture firms to benefit

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Opportunities & Types of Credits

- **Over $15 billion in Federal Research & Development (R&D) Tax Credits:** Encourages innovation by rewarding process improvement, prototyping, testing, and more
- **State & Local Incentive Programs (SALT):** A wide variety of credits and grants available across all 50 states
- **Workforce Grants and Hiring Incentives that reimburse up to 75% of wages during Training:** Offset the cost of onboarding and training new employees
- **Bonus Depreciation & Cost Segregation:** Maximize real estate investments by accelerating capital recovery through depreciation on eligible building components
- **Other Programs**

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Do Architects Qualify For R&D Tax Credits?

- Many architects are unaware of the **Applicability** of R&D tax credits to their firms
- They struggle to understand **how and why their project activities Qualify** for R&D tax credits and how much the credit might be
- Many Architects struggle to understand how these apply to their **daily design and tasks**, or why the IRS allows a tax credit to help fund some of their overhead costs
- This credit is an incentive to businesses that **invest in Innovation and aim to increase Technological Advancements** within the U.S. It also incentivizes businesses that increase these activities each year

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Do Architects Qualify For R&D Tax Credits?

- The R&D credit is an income tax offset based on a **company's Allowable Wage or Supply Costs** (qualifying supply costs are not usually found in typical architectural firms)

- Eligible wage costs will be hours spent working on activities that fall under the definitions below. These usually occur during **the first three to four phases of Architectural Design:** Conceptual Design, Schematic Design, Design Development, and sometimes into the Construction Document & Administration phases

- **Potentially Qualifying Job Titles:**

Project Manager	Project Architect	Construction Manager
Designer	Drafter	Civil Engineer
Structural Engineer	Mechanical, Electrical & Plumbing	Environmental Engineer
Landscape Architect		

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Qualifying Activities

- **Alternative design concepts**
- **Use of unique materials in Construction** for structural or energy efficiency
- **Testing** to determine acoustical, lighting, and visual features (e.g., movie theaters, auditoriums)
- **Technical factors and materials** for sanitary or safety uses (e.g., medical treatment centers, hospitals, food preparation or food manufacturing facilities)

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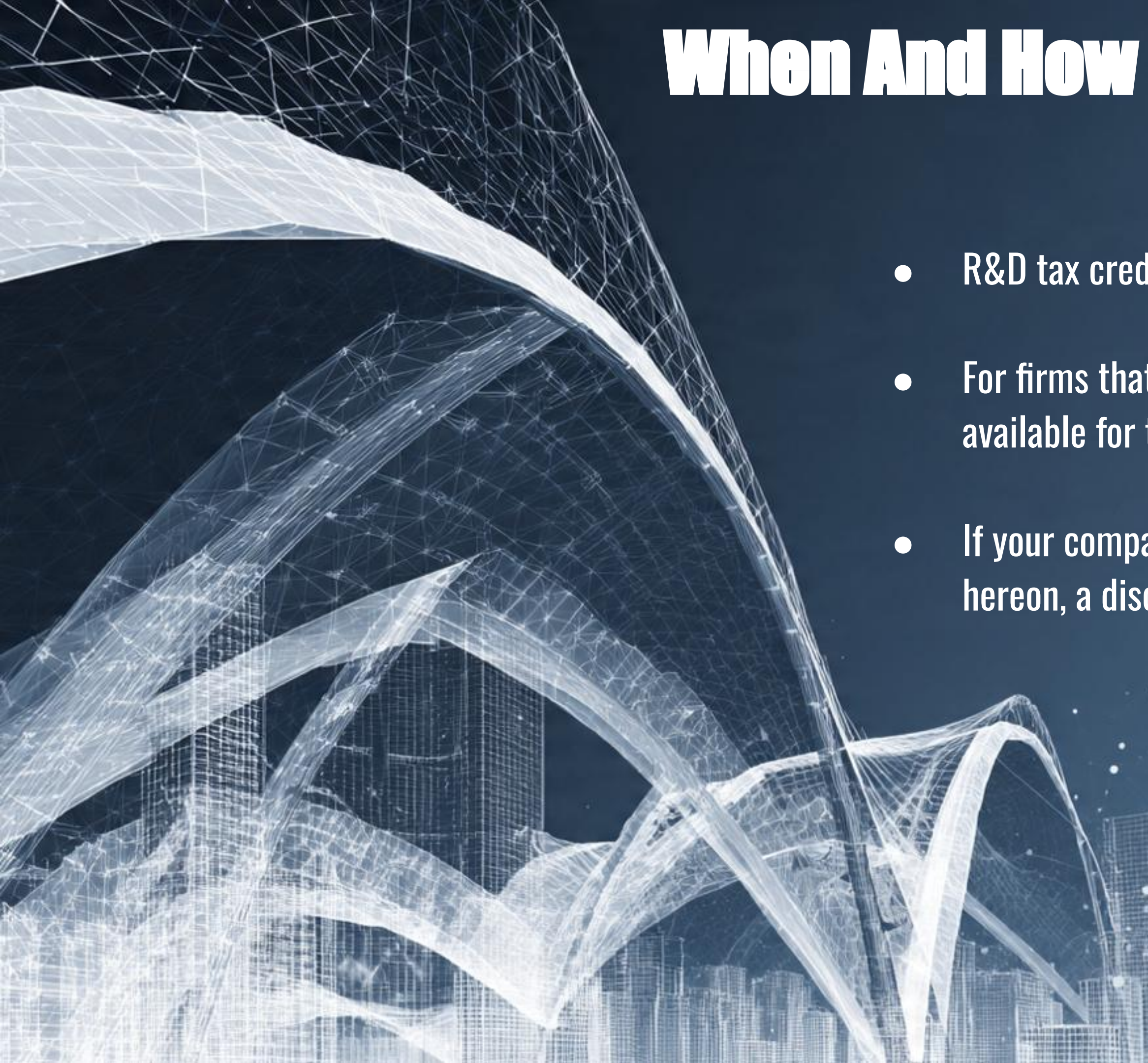
Non-Qualifying Activities

- Activities that do not qualify as research activities include funded research or contracts which guarantee payment for 100% of all time and materials, regardless of the outcome or time incurred
- Prototype projects with little to no innovation or unique design components have little qualifying time associated with the credit



When And How Often Can Your Claim R&D Tax Credits?

- R&D tax credits can be **claimed each year**
- For firms that have never claimed the credit, they may also be available for the **prior three years**
- If your company meets the standards outlined above and hereon, a discussion with an R&D expert may be worthwhile

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Review: The Four Part Test

- **Permitted/ Qualified Purpose:** An activity that creates a new or improved business component of function, performance, reliability, or quality
- **Technological in Nature:** Technological in nature and related to physical or biological science, engineering, or computer science
- **Technological Uncertainty:** Intended to discover information to eliminate uncertainty in capability, method, or design
- **Process of Experimentation:** An activity that includes a process of experimentation, or evaluating one or more alternatives to achieve a result. This might include modeling, prototyping, mock-ups, simulation, or systematic trial-and-error.

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Detailed Overview: Qualifying Activities

- Develop **Environmentally Friendly** and **Energy-Efficient** buildings
- Research **New Materials and Technologies** for **Sustainable Construction**
- Develop and test design strategies that **Optimize Energy Use, Natural Light, and Ventilation**
- Implement **Building Information Modeling (BIM)** to analyze and simulate building performance
- **Explore Certifications like LEED** and develop expertise in achieving these standards
- **Energy Modeling and Optimization**
- **Mixed Use and Transit Oriented Development**

Designed Sustainable/LEED buildings

Detailed Overview: Qualifying Activities

- **Innovate Design Processes** and create **Complex Geometries**
- Research and implement **Parametric Design Tools like Grasshopper for Rhino**
- Develop **Custom Algorithms and Scripts** to automate repetitive design tasks and generate optimized forms
- Explore the **integration of Computational Design** with other disciplines, such as **Structural Engineering and Environmental Analysis**

Parametric Or Computational Design

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Detailed Overview: Qualifying Activities

- Improve **Construction Efficiency, Building Resilience** and **Reduce Costs**
- Explore **Prefabrication** and **Modular Construction Techniques** to streamline the building process
- Research and test **New Construction Materials,** such as 3D-printed components or sustainable alternatives
- **Develop Partnerships with Construction Firms** to pilot innovative construction methods
- **Experimental Design to Resolve Technical Uncertainty** & solved unique site-specific design and engineering challenges

Experiment With New Materials
Develop Custom Engineering Solutions
And Innovative Construction Methods

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Detailed Overview: Qualifying Activities

- **Smart Buildings and Technology Integration:** Incorporate smart technologies into building designs
- Research and implement technologies for **Building Automation and Control Systems**
- Development of design strategies & methodology that incorporate **Automation to Boost Sustainability, Longevity and Practicality**
- Develop design strategies that **Integrate Sensors and HVAC, Environmental Systems**
- Test and evaluate the performance and **Post Occupancy User Experience**

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Custom Algorithmic Design

Detailed Overview: Qualifying Activities

- Enhance **Design Presentations** and **Client Engagement**
- Develop **Advanced Visualization, Virtual Reality (VR) and Augmented Reality (AR)** and other **Interactive Design Tools** to create immersive design experiences that allow clients and consultants to explore and modify design options in real-time
- Develop expertise in **3D Modeling,** use **Advanced Rendering Software** to produce high-quality visualizations and animations
- Development of **Advanced CAD Features.** Explore and implement advanced features and capabilities of CAD software
- Research and implement **Parametric Design Capabilities** to create more flexible and adaptable designs
- Use CAD for simulations and analyses, such as **Structural Analysis, Thermal Performance, and Lighting Studies**

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Development Of New Design Methodologies

Detailed Overview: Qualifying Activities

- Address **Urban Challenges** and **Create Livable Communities**
- Conduct research on urban trends and the **Impact of Urbanization on Communities**
- Develop and test design strategies for **Sustainable Urban Development,** including **Mixed-Use, Affordable Housing** and **Transit-Oriented Developments**
- Use **GIS** and **Other Spatial Analysis Tools** to inform urban design decisions

Urban Design and Planning

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Detailed Overview: Qualifying Activities

- Create buildings that **withstand Natural Disasters** and **Climate Change**
- Research materials and construction methods that **enhance Building Resilience**
- Develop design strategies for **Buildings and Communities in High-Risk Areas**
- **Test** and **Simulate** the performance of designs under various disaster scenarios

Resilient and Disaster-Resistant Design

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Recent Relevant Policy Changes

- Over time, Congress began to realize an imbalance of companies who were taking advantage of the credit
- Primarily it was the country's **Corporate Giants & Large-Scale Manufacturers** who were utilizing the government incentive
- This left out the very companies at the heart of our country's economic prowess: **The Small and Medium Sized Businesses**
- Congress decided to take action and passed **The Path Act in 2015** to widen the field and make the credit part of the U.S. tax code, while **making the Credit Permanent**
- In doing so, Congress eliminated probably the biggest hurdle for small and medium businesses wanting to claim the credit, **the Alternative Minimum Tax Bar**, allowing businesses with $50 million or less in gross receipts to take advantage of the incentive

2015 PATH Act

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Recent Relevant Policy Changes

- In recent years it became apparent that the IRS had made a unilateral decision that **Architects, Engineers, and other paid Technical Consultants could not claim the R&D Tax Credit**

- This position, which was contained mainly within **the SB/SE Division,** stemmed from a number of capricious arguments that IRS agents had begun using

- These arguments claimed that, while architects and engineers may engage in experimental activities to eliminate uncertainty, this work is not eligible for R&D Tax Credits since there is **no Qualified Business Component**

- The IRS reasoned that the designs, blueprints, and models that architects and other technical consultants produce under contract are not eligible business components, mainly because **Section 41 of the Tax Code does not specifically list Design in the Definition of a Business Component**

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2023 Harper v Commissioner (T.C Memo 2023-57)

Recent Relevant Policy Changes

- Despite a long history of these types of companies claiming the R&D Tax Credit, and that judges had often upheld these types of claims (see Populous Holdings v Commissioner) the IRS persisted in its position

- Arguments that the IRS would make against designs as a business component included:
  - The buildings designed or constructed by the taxpayer **did not belong to the Taxpayer (i.e. an Architect)** and therefore are **not an eligible Business Component**
  - **Designs are not "Products"** as the word is typically understood
  - The designs or the facilities constructed are **not "Held for Sale"** by the architect or engineer
  - Developing designs **is a "Day-to-Day" Activity of the Taxpayer** and therefore are not eligible for the R&D credit since they to not meet the congressional intent of the R&D Tax Credit

- In May of 2023, **the U.S Tax Court sided with the Taxpayers!** In Harper v Commissioner (T.C Memo 2023-57) the Judge summarily overturned all of these arguments, and with good reason

2023 Harper v Commissioner (T.C Memo 2023-57)

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Recent Relevant Policy Changes

- As the judge notes, nothing in the R&D statute indicates that Congress requires performance of research above and beyond the "day to day" activities of a taxpayer in a manner that the IRS is claiming

- There has been **a long-standing precedent from UCC v Commissioner (T.C Memo 2009-50)** that R&D can take place from project to project as long as a taxpayer is **uncertain of the appropriate design at the start of the Project**

- The Harper decision clears a path for Architects, Engineers, and any other technical consultants working to develop designs under contract with a customer to claim the R&D tax credit

- However, all taxpayers still **need to make sure that their activities pass the Four Parts of the R&D Credit Test**

- The R&D Credit is one of the most nuanced parts of the tax code. This court case is one of many that must be brought to bear in defending an R&D claim. **AMERICORE's team of has been claiming and defending them for over 20 years**

2023 Harper v Commissioner (T.C Memo 2023-57)

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Common Misconceptions

My Company Was Paid For The Work

- The fact that a company is paid for the work (think of a subcontractor or government contractor) **is not a roadblock**, the critical point being if **the company has risk for its work** (example, if your work is rejected do you still get paid?)
- The bottom line is we have thousands of subcontractors and government contractors who qualify for the R&D tax credit, it is an "it depends" question, known as a funding analysis, but not a showstopper

My Company Did Not Get A Patent

- While a patent is nice, **it is not required.** Again, recall that this is about applied research as well as basic. **There is not a discovery test, no Eureka Moment**
- The research in question has to be new to you

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Common Misconceptions

The Project/Research Failed

- Business owners know that there is **no end of false starts and dead ends** and the Internal Revenue Service, to its credit, recognizes that as well
- While it is disappointing that a project didn't pan out, it still may be a good candidate for the R&D tax credit

We Do Not Do Basic Research

- Business owners often have **visions of beakers and lab coats to qualify for the R&D Tax Credit** and yes, that is certainly a strong possibility for the credit but **not a requirement**
- Again, **Applied Research** is equally in harness to potentially qualify for the credit

My Cpa Said It Would Trigger An Audit

- **The average tax return rate of audit is 1%**. On a current-year, timely filed return claiming the R&D tax credit, there is typically not an increase
- For firms that are retroactively claiming a credit for the prior two years, filing an amended return **only increases the risk of an audit by an estimated 1%**

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Common Misconceptions

I don't do public projects, so I can't qualify for R&D tax credits

- Architects think R&D tax credits are limited to the design of public buildings. That's because the **Section 179D Energy-Efficient Commercial Buildings Tax Deduction,** another valuable opportunity for tax savings, has such limitations
- However, **both Public and Private Projects are eligible for R&D Tax Credits** as long as your firm can prove you have overcome design challenges and can meet the four-part test

We don't have time tracking in place, so I can't qualify R&D activities

- Time tracking is a great way to know what members of your firm are spending time on, how much, and what each project is costing
- However, even when architectural firms don't use time tracking, **you can work with an R&D Tax Credit Expert to retroactively analyze and identify activities**
- That said, when time tracking is available, it streamlines processes and reduces hours needed for preparation

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Common Misconceptions

I don't qualify for R&D because I don't do anything innovative

- **Federal R&D Tax Credits have been available to businesses for more than three decades.** However, many architects simply don't realize the tax credits are available to them or don't understand which activities qualify
- **Have you developed Schematic Designs? Overcome site features in your Site Plan? Developed unique Energy-Efficient features?** These are just a few of the numerous activities that are considered innovative and qualify an architect for the R&D tax credit

I don't have the time to gather the required documentation

- While it is true that the qualification process required to earn R&D tax credits is quite detailed, **a qualified advisor can help you gather the essential information,** such as wages, time spent on related activities, and materials and supplies to support the qualifying research
- **This is where a Qualified Consultant like AMERICORE can help**

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Common Misconceptions

We don't know the potential benefit of R&D tax credits for our firm

- Would you believe that **less than one-third of eligible companies realize they qualify for R&D Tax Credits?** And many of the companies taking the credit are not claiming all the credits to which they are entitled
- **At AMERICORE, we are experts at identifying, calculating, quantifying, and generating significant tax benefits. The complimentary R&D Tax Credit Analysis will help determine your potential benefit**

- While all of this is not a walk in the park, the possible tax savings at the federal and state level are well worth the effort
- **The Amazons and Apples of the world have a platoon of tax lawyers and accountants** to help them qualify for this valuable government incentive
- Owners of small and medium businesses need to recognize that if they want similar, good results and real tax savings like the big boys, they need to call in the cavalry
- **AMERICORE is the Cavalry**

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What Should You Expect From Your Consultant?

Basic Standard Operating Procedure

- **Initial Consultation & Feasibility Analysis (Free of Cost):**
  Our relationship starts with a conversation. We meet with you (virtually or in person) to understand your operations, explore qualifying activities, and evaluate whether your business is a good candidate for available credits. **This Consultation and the Preliminary Analysis is always Complimentary**
  - **Document Review & Credit Estimate:** Once we receive your company's financials and any relevant operational documentation, our compliance team performs a detailed review. **We identify eligible credits and provide a Feasibility Analysis based on your unique activities.** This ensures clarity before you move forward

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Basic Standard Operating Procedure

- **Consulting Agreement & Deep Dive:** If you choose to proceed, we execute a consulting agreement. At this point, AMERICORE begins an intensive study, a forensic, regulation-aligned process that gathers documentation, conducts technical interviews, and **prepares a fully defensible claim in accordance with IRS and Treasury standards**
    - **Full Credit Study, Deliverables & Payment Agreed Upon:** Our deliverables include a complete, IRS compliant credit study, technical substantiation reports, and all supporting schedules so that your CPA or tax preparer can easily file with confidence. **Our documentation has been reviewed and accepted by Federal and State authorities across the Country**

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Basic Standard Operating Procedure

- **CPA Collaboration:** We don't replace your CPA, we support them. AMERICORE works independently, but we provide everything your tax preparer needs to file accurately. In fact, many of our CPA partners refer clients directly to us for this exact reason: **Credit Studies are highly specialized, and most CPAs don't offer this service**
    - **Ongoing Support after the claim is filed:** AMERICORE remains available to support you through the entire lifecycle of your credit. **We're by your side, year after year**

	AMERICORE	Competitors
Scope of Review	**Full Technical and Financial R&D Study**	Payroll Only Estimation
IRS Four Part Test	**Explicitly Documented and Satisfied**	Inferred, Not Documented
Technical Narratives	**Engineering Level Project Narratives**	None
Credit Capture	**Designed to Capture 100% QREs**	Typically 25% of Potential
Supplies & Contractors	**Included when Qualified**	Generally Excluded
Audit Defense	**Full Audit Ready Documentation**	No Audit Defense Package
CPA Confidence	**High - Substantiation Provided**	Low - Limited Support
Risk Posture	**Conservative & Defensible**	Conservative by Omission

Why Is Timing Critical?

- **Statute of Limitations:** In most cases, tax credits must be claimed within 3 years of the return filing date. Once the window closes, so does your opportunity
- **Rolling Deadlines:** State programs and grant funds often work on a first-come, first-served basis. Acting quickly can make the difference between approval and missing out
- **Policy Changes:** Economic stimulus, tax reforms, and regulatory shifts happen often. AMERICORE stays current so you don't miss evolving opportunities
- **Maximized Impact:** Claiming credits earlier allows businesses to strategically allocate funds throughout the fiscal year
- **Every day you wait is a Missed Opportunity:** The tax credits and incentives we specialize in were designed to help business owners like you—builders, problem-solvers, innovators—recover what you've already earned and reinvest it into what's next

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The Benefits Of Claiming Incentives

- **Claiming tax incentives isn't just about Dollars:** It's about **Growth, Sustainability,** and **Leveling the Playing Field** for American businesses. Many of the companies AMERICORE supports already perform eligible activities without realizing it. When documented properly, those activities unlock a powerful source of reinvestment capital
- **Reclaim What You've Already Earned:** Many business owners assume these programs don't apply to them. But if you've invested in solving problems, building efficiencies, or improving services, you may already qualify. **AMERICORE exists to help you reclaim what's yours, with confidence and accuracy**
- **Fuel Innovation:** Tax credits can offset the cost of experimenting with new processes, developing custom solutions, testing new technologies, or building internal tools. These are often seen as routine operations— but they're also often eligible for R&D credits
- **Hire with Confidence:** Hiring and workforce development credits and training grants can reimburse a portion of wages for newly hired or upskilled employees. AMERICORE helps you identify these opportunities at the state and federal level, especially if you operate in an economic development zone
- **Support Compliance:** Properly documented incentives provide a legitimate, IRS-compliant way to reduce your tax burden. This supports financial planning and ensures you're using every available advantage within the boundaries of the law

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The AMERICORE Advantage

- **A Trusted Advisor:** We are more than just consultants. AMERICORE is a strategic partner that brings over two decades of experience to the table. Our work is tailored not just to your business, but to your industry, whether that's manufacturing, construction, healthcare, technology, or professional services. Our role is to educate, empower, and advocate for your business. That's why we stay current with legislative changes, maintain deep relationships with tax professionals, and uphold the highest compliance standards. **When you work with AMERICORE, you get more than a tax benefit, you gain a Growth Partner**

- At AMERICORE, we believe in the enduring power of American business, particularly the **Small and Mid-Sized Companies that form the Backbone of our Economy**

- From fabricators and contractors to custom manufacturers and innovators, your work represents the **Strength, Creativity, and Resilience** that define American enterprise

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The AMERICORE Advantage

- **Over the last two decades,** our team has worked alongside business owners like you to **reclaim millions in Government-Sponsored Tax Credits and Incentives,** funds that directly support innovation, job creation, and long-term growth. These are not handouts. These are earned benefits, written into tax code, available to those who qualify, and too often left unclaimed

- We've seen firsthand how programs like the R&D Tax Credit can **reinvigorate operations, fund workforce development, and fuel investment in the technologies and processes that keep American Businesses competitive.** When Congress looks for proven tools to strengthen the economy, the R&D Credit is consistently at the top of the list and **AMERICORE is at the forefront of helping businesses claim it responsibly**

- Whether you're a small shop or a mid-sized enterprise, the potential impact is real. These credits are designed for businesses like yours and we're here to help you access them. **Let's move your business forward, Together**

UNLOCKING R&D INCENTIVES IN THE AEC INDUSTRY

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