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Annual Conference Scottsdale, AZ

**Technology Tools to Improve
Your Research Credit Process
and Comply with the
Capitalization Requirement for
Post-2021 Section 174
Expenditures**

Monday October 24, 2022

11:15am – 12:15pm



Moderator



Brian P. Kaufman

VP, Tax Audits & Tax Counsel
Capital One Financial Corp.



Heidi Younker

Director, Federal Compliance
Capital One Financial Corp.



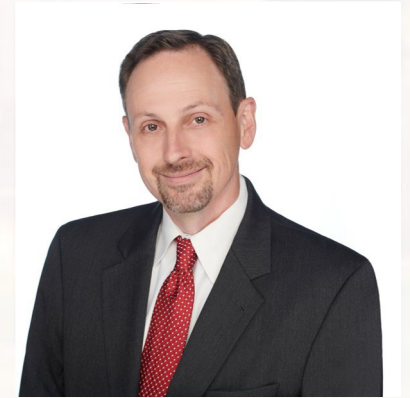
Jason Massie, CPA, Esq.

Founder and President
MASSIE R&D Tax Credits



Diane Stogiannes, B.Sc.

President
DST Advisory Group Inc.



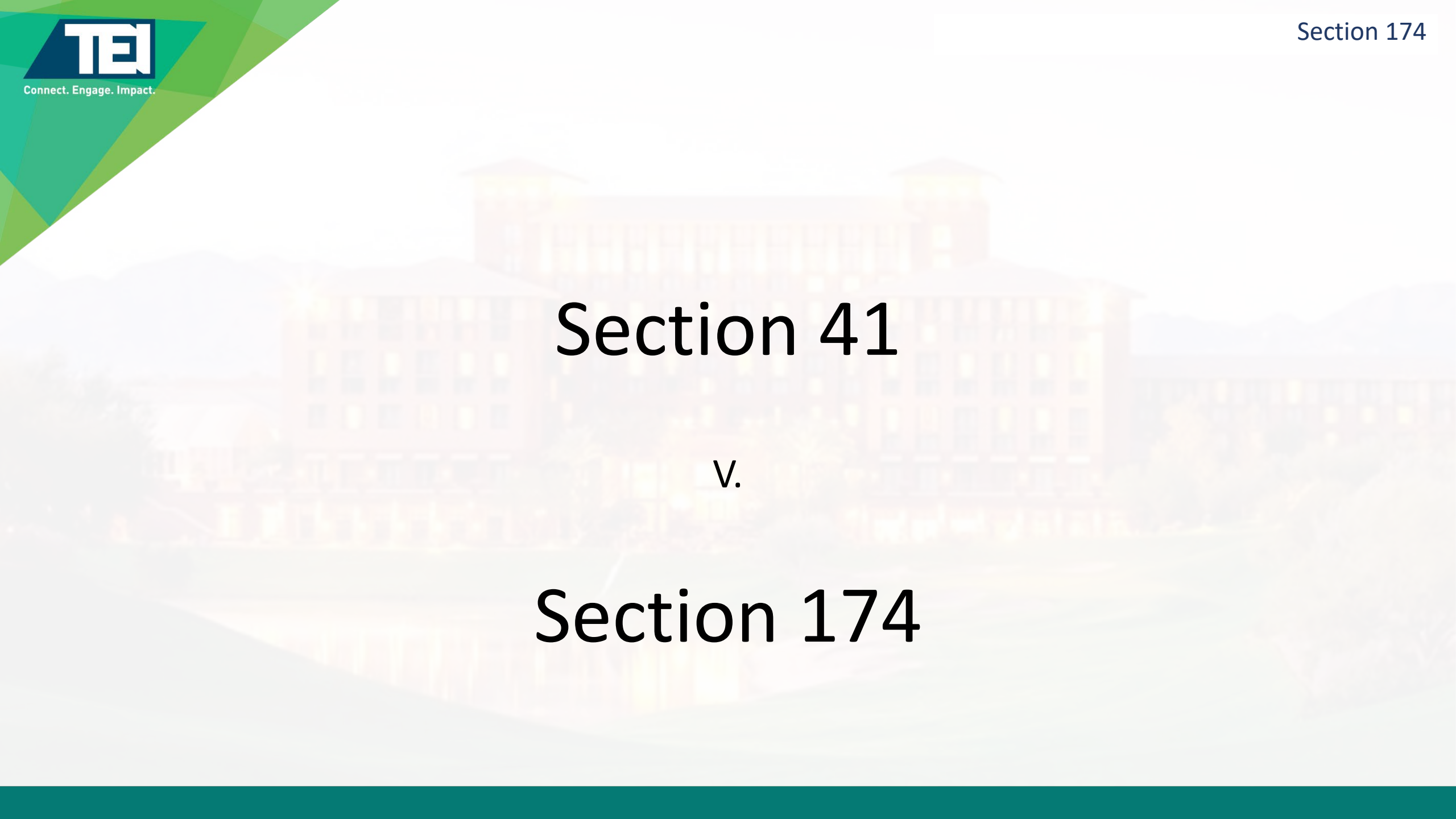
Christian Wood

Principal
RSM

- Why is R&E Tax Credit Technology Important
- Section 41 v. 174
- Real-Time Tracking Examples
- Technology to Structure the Study
- Technology to Facilitate Communication

Why is Improving Your R&E Tax Credit Technology So Important?

- IRS Transition to a uniform business component approach
 - Focus on qualification of business components rather than other approaches
 - Documentation at business component level – New standard IDR
 - Sampling of business components rather than employees
- Enhanced Documentation Requirements for Refund Claims – CCM (January 3, 2022)
 - What has the IRS seen so far from taxpayers?
 - Expected changes?
 - Integration of requirements into revised Form Section 6765
- Transition for taxpayers utilizing previously accepted approach based upon other methodologies
 - Employee-based sampling
 - Cost-center project tracking
- Challenges of business component level review
 - Significantly larger number of projects to review
 - “Shrink back” issues at a very granular level



Section 41

v.

Section 174

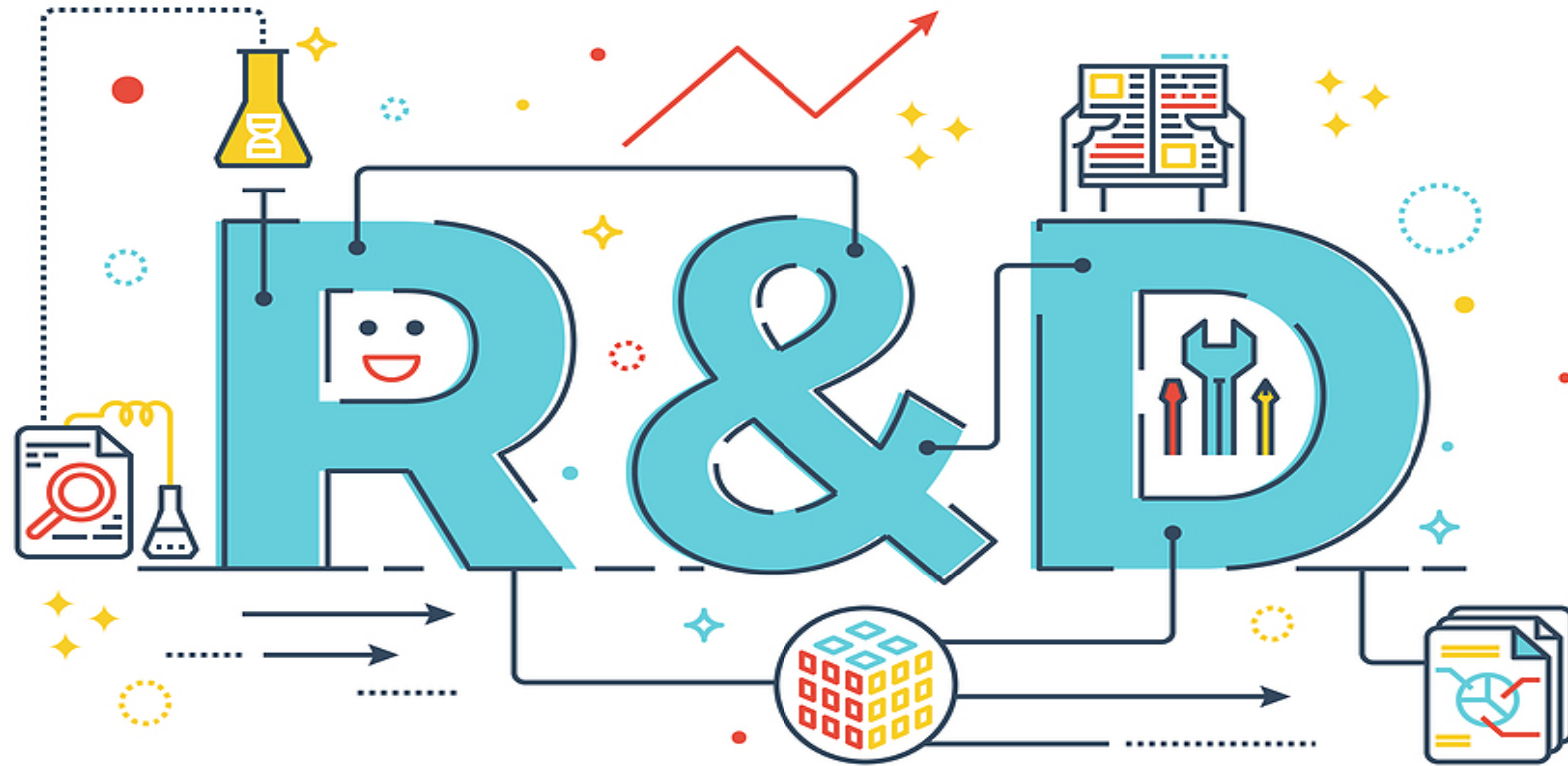
- Required amortization in 2022
 - 5 years for domestic (half-year convention)
 - 15 years for foreign (half-year convention)
 - Software
 - Each year is its own asset(s)
 - No abandonment options
- Legislative Outlook

“Flexibility is the key to stability.”

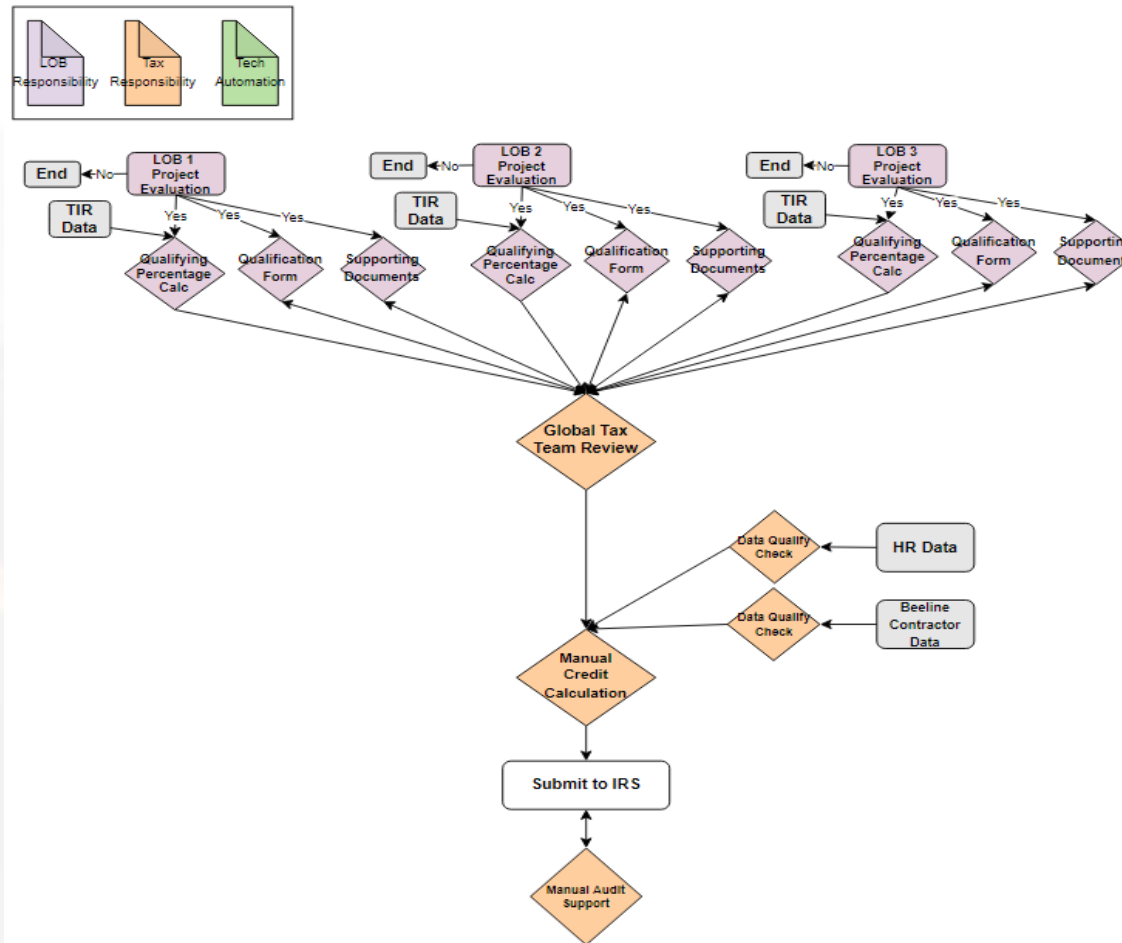
John Wooden

Real-Time Tracking Examples

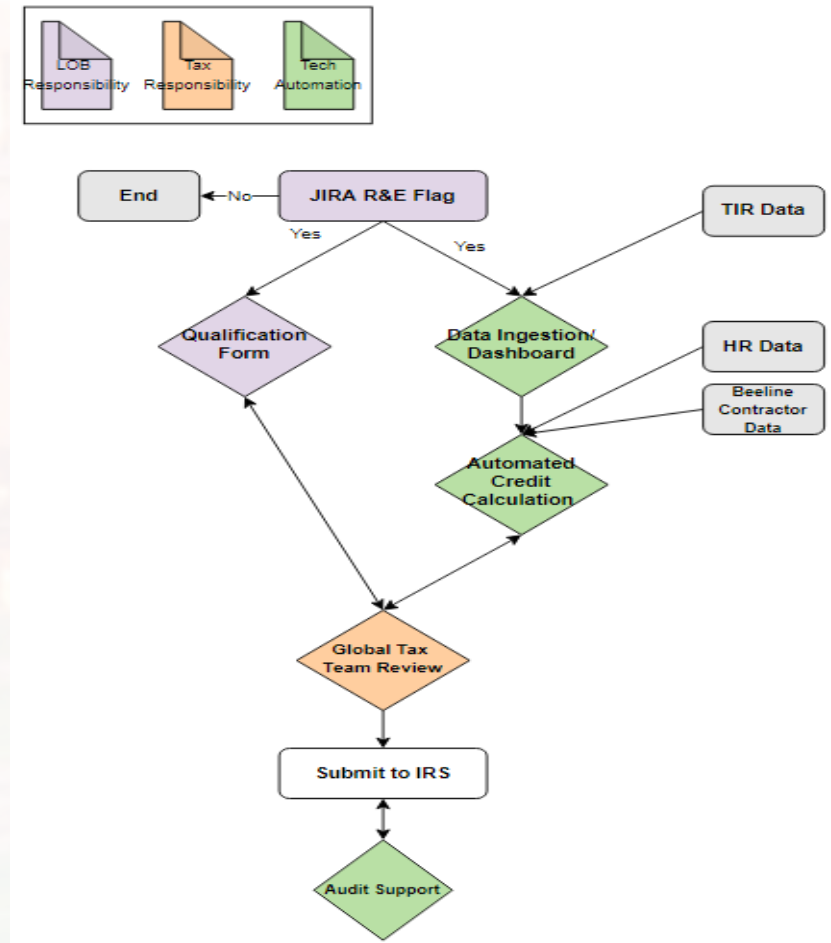
R&E Tax Credit Calculation Reimagined -- The Power of Automation



Typical R&E Workflow - Manual and Tech Key-Person Dependent



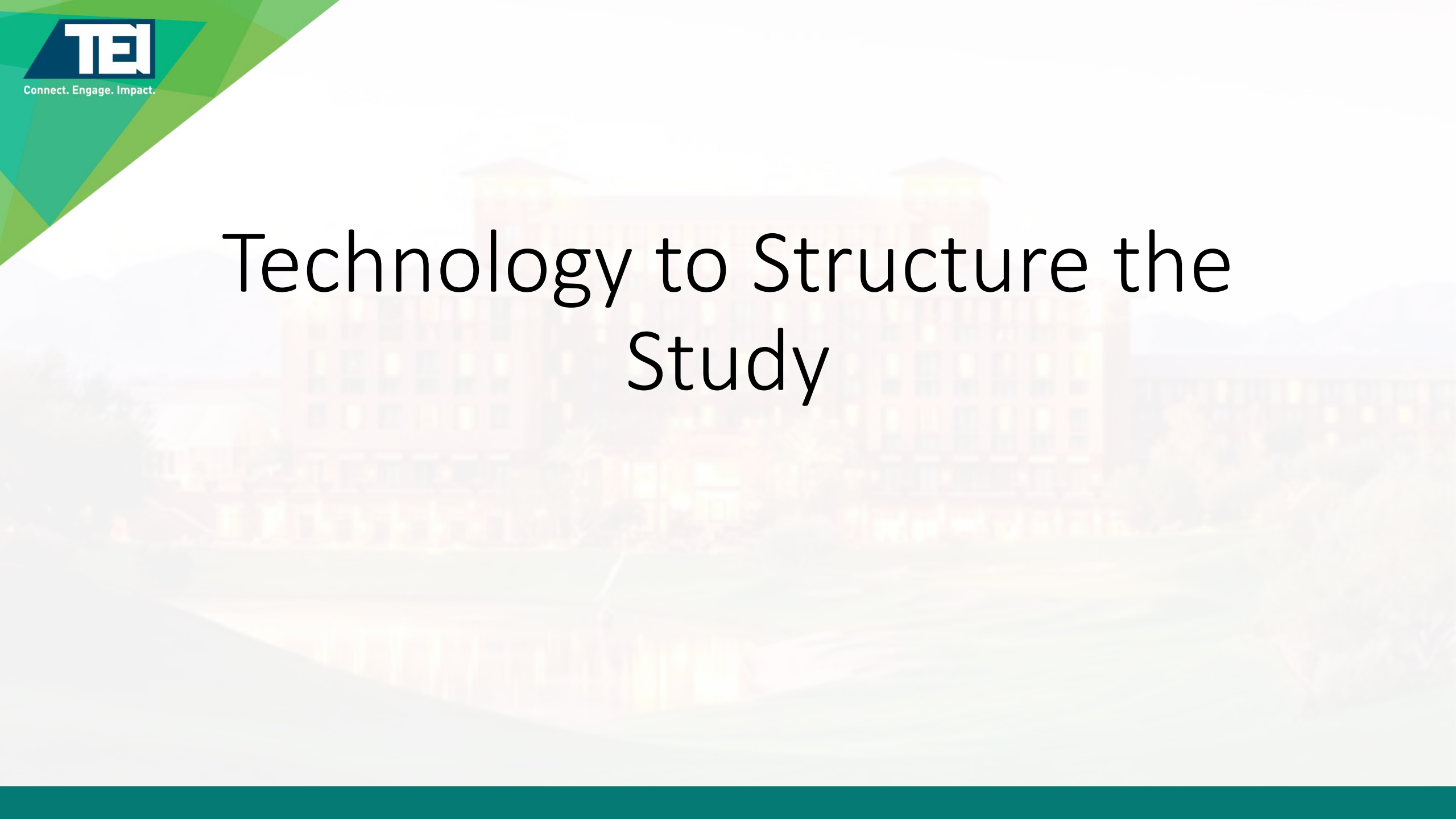
Reimagined R&E Workflow - Simplified and Automated



Key Components to a Successful Automated Qualification Process

- Integrate qualification process with Technology project tracking system
 - Preliminary qualification analysis by Tech engineers at the time projects are created in system of record (JIRA)
 - Automatic distribution of R&E Credit questionnaire to Tech leads to support initial QRE analysis (Google Forms)
- Retrieve core data automatically from Tech team tracking system (TIR) to match teams with projects, employee salaries, and contractor spend (Alteryx)
- Link Tech data with payroll and contractor data to complete necessary tax calculations and create a sortable database to analyze QREs by team, project, organization, etc. (Tableau)

Technology to Structure the Study

The background of the slide is a faded, high-angle photograph of a large, multi-story building with a grid-like facade of windows. The building is situated on a hillside, and the foreground shows some greenery and a road. The image is overlaid with a semi-transparent white layer, making the text stand out.

Definition of Contemporaneous Documents

Supporting Documentation

- Taxpayer has the burden to substantiate their research credit claims
 - Accounting records and financial schedules to prove amount of QREs
 - Technical / Engineering documentation proving that the activities performed constitute qualified research activities
 - Schematics, presentations, reports, lab notebooks, samples, test reports, software stories/epics

❖ *Important to gather and maintain documentation before documents and employees disappear*

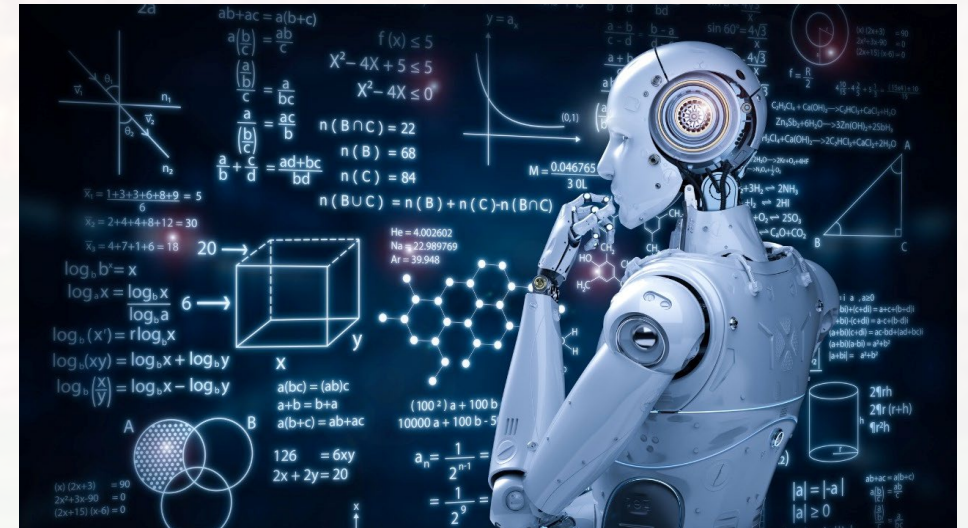


- Use Technology to facilitate successful outcomes
 - Integrating 'in-real time' collection of facts
 - Less intrusive for SMEs or Engineers / Scientists
 - Data collection
 - Qualification
 - Quantification



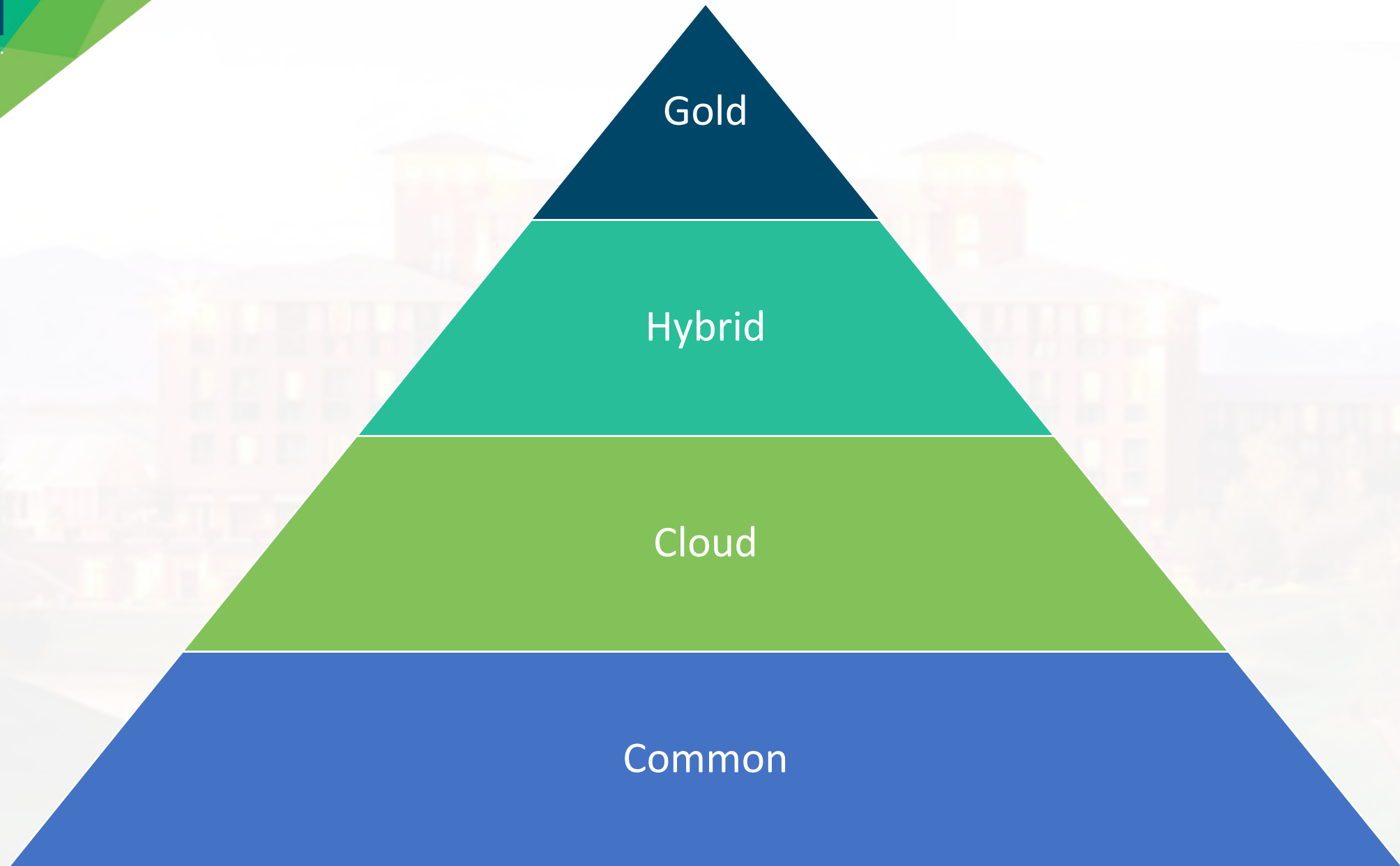
• Practical considerations

- Cost to implement
- Level of sophistication of algorithm / process required
- Context of document / project analysis
- Completeness of quality of data inputs
- Security or privacy concerns



Technology to Facilitate Communication

*Claim and Sustain
the
Largest Credit Possible
with the
Least amount of work*





SMART TOOLS



PEOPLE PROCESSES

*“You’ve got to start with the **Customer Experience** and work backward into the technology.”*

– Steve Jobs

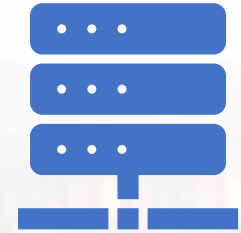
COMMUNICATION



Instant Messaging or Video Chats:
Cisco Webex, Zoom, Teams

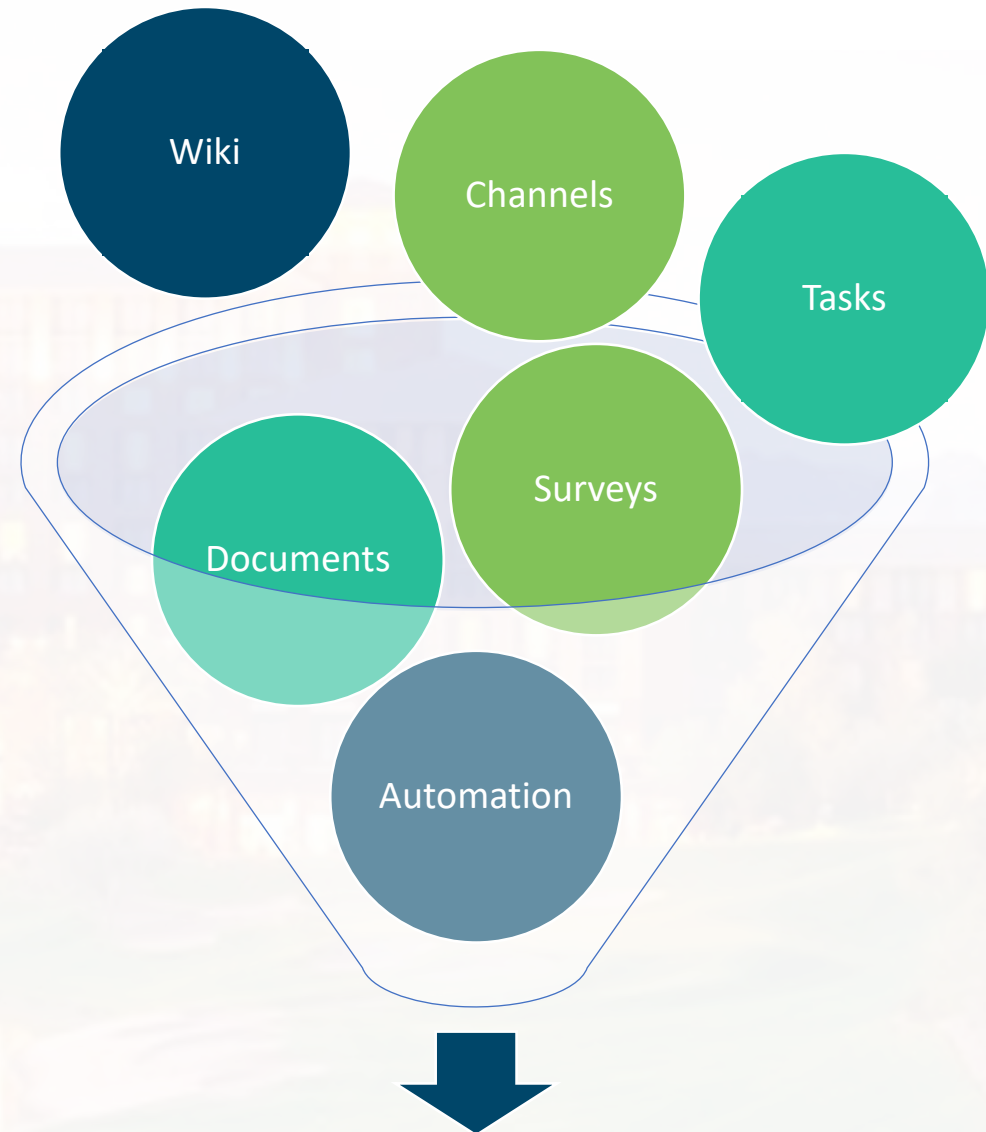


Surveys: Excel or Word,
Google Sheets or Docs,
Alchemer, Forms



Data: Alteryx, Tableau,
Power BI

- Nothing in email
- Nothing outside Company
- Wiki- FAQs, Videos, Guidebooks
- Custom Channels
- Group Training Sessions
- SME Tasks
- Channel Surveys and Sample Answers
- Documentation Mapping
- Easy to upload documentation
- Calendar Availability View
- Motivational messages & Rewards
- Sharing of Power BI data
- Prepopulated Timesheets
- Instant messaging to help out
- Annual SME Feedback



SME Collaboration Hub

To gather more...

- Design your process around the User.
- Then identify the technology, and
- Make it simple and easy for the SME and the Tax Department.



Jason Massie, CPA, Esq **MASSIE R&D Tax Credits**

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As Founder and President of MASSIE R&D Tax Credits, Jason is responsible for the quality, consistency, and integrity of our tax credit service offerings. He heads the Delivery Team at MASSIE and leads all Architecture and Controversy Phases for clients across the United States. He received a B.S. in Accounting from Christian Brothers University and a law degree from the University of Memphis. He was first introduced to R&D Tax Credits during his time at a Big 6 accounting firm in Washington, D.C. During his career, he led Big 4 and law firm practices in managing many types of federal and state tax planning, credits, incentives, and other cash flow strategies. He is widely recognized as an expert by his peers in the R&D Tax Credit and R&D Expenditure areas, with frequent speaking and writing engagements.



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Diane Stogiannes is the President of DST Advisory Group. She has over 15 years of consulting experience with R&D Tax Credits, servicing Clients in both Canada and the United States. Prior to entering the consulting industry, Diane worked for ArcelorMittal (the world's largest steel producer), in the Chemistry and Product Development departments.

Diane has worked primarily with large multinational based companies to successfully claim and defend R&D Tax Credits. Throughout her career, she has worked on hundreds of claims, including client training, full study completion, and audit defense with both the Internal Revenue Service (IRS) and the Canadian Revenue Agency (CRA).

She has helped clients in various industries and is a recognized subject matter expert by her peers and has presented at national R&D Symposiums, as well as several National and Local TEI events.

Diane holds a Bachelors of Science (Honors) in Chemistry, and a certification in Metallurgy – Iron & Steelmaking, both from McMaster University in Ontario. She is also a patented co-inventor, in the field of Structural Engineering.





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Christian has been with the RSM since 2014 and leads the firm's Washington National Credits Incentives and Methods team. He consults with clients on a variety of tax technical issues in the accounting and methods functional area, including research and development, the timing and character of income and expense recognition, inventory methods, the treatment of tangible assets, amortization and depreciation, transaction costs, intangible assets, leasing, revenue recognition, and changes in methods of accounting and accounting periods.

Christian began his career in 2000 and spent time in the national tax and Washington national tax offices of a regional and Big Four firm in the area of accounting methods and periods. Christian also previously worked at the Internal Revenue Service in the Office of Chief Counsel, Income Tax and Accounting for five years. While there, his areas of concentration included UNICAP, interest capitalization, substantiation, methods of accounting, character, and timing of deductions.

Christian received his juris Doctorate, at George Mason University School of Law, his Masters of Laws in Taxation, Georgetown University Law Center, and his Bachelor of Arts, economics, University of California, Los Angeles.

