



## Beyond The Economic Stimulus Act of 2008

By Karim Solanji and Mark Lauber

The Economic Stimulus Act of 2008, recently introduced by Congress, will not only allow rebates for individual tax payers, but will also create additional incentives for commercial businesses. Previously, bonus depreciation was introduced as a way to help increase cash flow and stimulate the economy during economic downturns.

The bill gives companies a 50 percent bonus deduction on new equipment and increases the limit on expenses that small businesses can deduct from annual income to \$250,000, raising it from \$125,000.

The result is an increased depreciation deduction which can lower a company's tax liability. The increased cash flow is placed back into the economy through increased investment into the business, and helps create additional jobs.

Can all companies benefit?

Only those companies that are considering expanding a plant or making investments in equipment, can benefit from the stimulus package by giving them help "from a cash flow standpoint" in paying for it.

But if your company is not looking into expansion or new equipment then the economic stimulus package does nothing for you.

Cash with interest in 90 days

What if you could get cash back with interest from the IRS within 90 days, would that help? What if that extra cash back ranged from the tens of thousands to the millions? Would that extra cash give you the opportunity to make an investment in equipment or expansion and take advantage of that bonus depreciation? Or you could use the extra cash for other purposes to help your company.

How is this possible?

Most firms are missing out on 5, 6 or 7 figure Research & Development Tax Credits. The existing R&D Tax Credit is overlooked because most companies do not understand that their every day activities qualify for the credits.

And in most cases, neither does their CPA and that's why most companies have never been approached about it.

Here's a list of company types that have qualifying activities by the nature of their business:

- Manufacturing
- Fabrication
- Engineering
- Software Development
- Architecture
- Tool and Die Machine Shops
- Electronics
- Biotechnology
- Pharmaceutical
- Food Sciences & Agro-Business

It takes a team of specialized tax engineers and IP attorneys to understand which activities qualify and then to create the documentation to substantiate those qualifying activities.

Why do you get cash back?

The IRS recently changed the rules allowing companies to go back 3 years and take the credits they missed. Ninety days after submitting amended returns, you will get cash back with interest. And of course the credits can be taken for current and future years if your company continues to perform similar activities.

Should my company take a look at this?

Absolutely, the question is can you actually use them.

To help, if you can answer yes to all of these items, then you definitely need to have an R&D Tax Consulting firm provide you with a free estimate of your tax credits.

1) Were you profitable in 2004, 2005, 2006 and/or 2007?

2) Is the total cumulative payroll for 2005, 2006 and 2007 in excess of \$7 million dollars?

3) Are you a C Corp? If so, you are OK. If an S Corp or partnership, do you have 5 or less shareholders? If so, you are OK.

The R&D Tax Credit is a wage based credit so the higher your total wages, the higher your credits.

If you answered yes to those 3 items, then you have an excellent possibility of having a high 5 figure credit and into the 6 or 7 figure credits for companies with higher wage totals.

Think about what your company can do with the extra cash in about 90 days.

In summary, the Economic Stimulus Act of 2008 can help some businesses. The existing R&D Tax Credit can provide much needed cash quickly for all qualifying businesses. The refund can be used to take advantage of the bonus depreciation offered by the Economic Stimulus Act or can be used for other investments to enhance your business.

Seek out an R&D Tax Consulting firm to confirm that you qualify and to give you an estimate of your R&D Tax Credits. The sooner you do this, the sooner you'll have the funds to invest in your company.

**Editor's Note:** *About the Authors:* Karim Solanji, J.D. a Director with Paradigm Partners and Mark Lauber, VP of Marketing at Paradigm Partners. Paradigm Partners is a national tax consulting firm specializing in the R&D Tax Credit. Mark's email is [MLauber@ParadigmLP.com](mailto:MLauber@ParadigmLP.com) and his phone number is (281) 558-7100. His website is [www.ParadigmLP.com](http://www.ParadigmLP.com).

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