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## Cashing Out R&D (or AMT) Credits

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### **Challenge:**

A C-Corporation client had experienced a loss in their business operations due to the economic downturn; the loss was creating pressure on cash flow availability. The client's business involves significant research and development activities that require available cash to further develop their products.

### **Solution:**

After reviewing the situation, GBQ determined there was an opportunity to cash out a portion of the unused research and development credits from prior years. In addition, the Housing Assistance Tax Act of 2008 provided an opportunity to convert the credits into a refundable credit, thus getting cash back into the client's pocket.

This provision was added as a response to the bonus depreciation opportunities created in the Economic Stimulus Act of 2008. Congress was concerned that businesses in a loss position would not receive an immediate benefit from bonus depreciation, which was set up to help stimulate the economy. Congress responded by providing an opportunity to make an election to forgo bonus depreciation and instead claim a refundable R&D (or AMT) credit.

### **Benefits:**

By making the election out of bonus depreciation, the client was able to convert suspended credits into cash. Bonus depreciation would have simply increased the loss and not provided an opportunity for immediate cash inflow. By being aware of recent tax legislation, GBQ was able to help the client monetize a portion of their unused credit for immediate use in their research and development activities.

**Related Entities** (may select more than one):

- GBQ Capital LLC
- GBQ Consulting LLC
- GBQ Goelzer Valuation Services
- GBQ Partners LLC
- GBQ Physician Practice Group LLC
- GBQ Redbank Advisors

**Related Service Groups** (may select more than one):

- Assurance Services
- Business Valuation
- Dispute Advisory & Forensic Services
- Management Consulting
- Mergers & Acquisitions
- Physician Services
- Risk Advisory Services
- State & Local Tax Services
- Tax Services

**Related Client Groups** (may select more than one):

- Construction
- Distribution
- Educational Organizations
- Healthcare
- Individual
- Japanese Business Sector
- Manufacturing
- Non-profit
- Physician Practices
- Private Company
- Public Company
- Real Estate
- Retail
- Service