

## Is Your Brewery/Winery/Distillery Missing out on the Research & Experimentation Tax Credit?

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Are you missing out on an important tax credit that may not only be available to you as a manufacturer, but could be worth thousands of dollars in annual tax savings? The Research & Experimentation (“R&E”) Tax Credit encourages and rewards domestic companies for creating new and improved products, processes, techniques, formulas, inventions, or software. The government rewards this innovation by allowing a credit to offset some of the upfront wage and supply costs associated with those research activities.

### WHO CAN CLAIM THE R&E CREDIT?

Any company in any industry could potentially qualify for the R&E tax credit. Alcohol industry manufacturers like breweries, wineries and distilleries may often overlook these tax credits because they do not traditionally assimilate the creation and packaging of their product as “research and/or experimentation.” To the contrary, many alcohol manufacturers throughout the Commonwealth, large and small, are conducting research and experimentation activities that could qualify for these tax credits – but may not be taking full advantage.

Whether you qualify for the credit is based on a four-part test:

- (1) The research activity must be for a permitted purpose (and not just a cosmetic change) and must be for new OR improved products, processes, techniques, formulas, inventions, or software.
- (2) The research must be technological in nature.
- (3) The research must involve a process of experimentation.
- (4) The research must aim at eliminating uncertainty regarding design, capability, or methodology.

Some examples of R&E tax credits available to breweries, wineries and distilleries:

- ? Testing for shelf life and improving packaging, bottling, or corking design to increase shelf life
- ? Developing or improving bottling/canning processes
- ? Developing or improving hopping techniques, yeast or grape strains, and hop varieties
- ? Developing a prototype batch for testing and validation of a new recipe formula
- ? Testing or developing preservative chemicals
- ? Testing prototype samples for analytical and microbiological qualities
- ? Developing or improving filtration methodologies or wastewater methods
- ? Increasing yields in your manufacturing process

? Developing new or improved filtration nor fermentation processes or techniques

? Developing new or improved assurance testing processes

? Developing new or improved irrigation systems

? Developing or improving mixing techniques

? Developing or improving soil and rootstock processes

To find out if you are eligible for a Research & Experimentation Tax Credit contact Evan Pappas.