



# R&D TAX CREDITS FOR THE ARCHITECTURE INDUSTRY

## DID YOU KNOW?

- Many design activities performed by architecture firms, especially those during the Schematic Design, Design Development, and Construction Documentation phases may qualify for sizable federal and state R&D tax credits.
- While contractual language is a relevant factor, qualifying activities under contracts with clients can also qualify in many cases.
- BRAYN's expertise includes industry standard time tracking and job costing software, which provides for efficient cost analysis and excellent substantiation.
- Federal credits are dollar-for-dollar reducers of tax of up to 6.5% of qualified expenses and over 40 states offer similar R&D tax incentives that can double benefits in some cases.

### EXAMPLE QUALIFIED ACTIVITIES:

#### ► Building Design

- Facades
- Elevations
- Site Orientation
- Master Plans
- Sub-system Coordinates

#### ► Design Phases

- Schematic Design
- Design Development
- Construction Documents

### ARCHITECTURE FIRM CASE STUDY:

Item	Average Annual Amount
Gross Revenues	\$ 3,600,000
Total Payroll	\$ 1,900,000
Qualified Research Expenses (QREs)	\$ 750,000
Net Federal Credits	\$ 45,500
Net State Credits	\$ 25,000
<b>Total Net Federal and State Credits</b>	<b>\$ 70,500</b>

BRAYN is a niche consulting firm that guides businesses to greater value through tax credits and incentives, such as R&D tax credits, Cost Segregation, 179D, Sales & Use/Excise Tax Recovery, and Management Consulting. The BRAYNiacs are a team of lawyers, engineers, and accountants with extensive industry experience hailing from Big-4 and other national consulting firms. At BRAYN, we focus on building quality relationships where we are a key partner in driving business prosperity.

IRS Circular 230 Disclosure - To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax related penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.



# 179D ENERGY EFFICIENT COMMERCIAL BUILDING TAX DEDUCTION

## DID YOU KNOW?

In February 2018, Congress passed, and the president signed into law, the latest government spending bill, titled the Bipartisan Budget Act of 2018, which includes a 1-year extension of the Energy Efficient Commercial Building Deduction, Section 179D, making it available to architects, engineers, contractors, and property owners for building projects completed in 2017.

The Section 179D Energy Efficient Commercial Building Deduction provides for a powerful tax deduction of up to \$1.80 per square foot for newly constructed or recently renovated commercial buildings. Buildings' energy efficiencies are compared to a 2001 or 2007 standard, so most recent construction or renovated commercial buildings will pass the qualification tests.

### ARCHITECTURE FIRM CASE STUDY:

#### ELIGIBLE BUSINESSES THAT CAN TAKE ADVANTAGE OF THIS LUCRATIVE INCENTIVE INCLUDE:

- Architecture, Engineering, and Construction firms who design and/or build government-owned (local, state, or federal) commercial buildings
- Commercial property owners and developers
- Businesses of any industry who own their own commercial building

Classroom Building Built 2017	State University
Allocation	HVAC, Lighting, & Envelope
Building Size	120,000 sf
Energy Efficiency All Systems	52%
Deduction	\$ 1.80/sf
Total 179D Deduction	\$ 216,000
<b>Total Benefit</b>	<b>\$ 75,000</b>

Applicable tax rules require a third-party certifier to perform the analysis required to claim this lucrative incentive. Experts at BRAYN Consulting LLC support CPA firms in identifying, qualifying, and quantifying this very powerful tax deduction.

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