



# R&D TAX CREDITS FOR THE CONSTRUCTION INDUSTRY

## DID YOU KNOW?

- Certain design, preconstruction, estimating, and upfront planning activities for construction projects may qualify for sizable federal and state R&D tax credits
- Work paid by clients under contract still may qualify for R&D tax credits
- Federal credits are dollar-for-dollar reducers of tax of up to 6.5% of qualified expenses
- Many states, including Texas and California, offer similar R&D tax incentives

### EXAMPLE QUALIFIED ACTIVITIES:

- Engineering of foundational, structural, mechanical, and electrical building sub-systems
- Development of construction techniques for improved construction efficiency and implementation performance
- Value engineering assessments to reduce cost while achieving constructible building and infrastructure designs
- Constructability reviews of the design work of architects and engineers
- Building sub-system design, coordination, and clash detection using BIM or CAD modeling to ensure a reliable and efficient construction process

### MECHANICAL CONTRACTOR CASE STUDY:

Item	Average Annual Amount
Gross Revenues	\$ 50,000,000
Total Payroll	\$ 28,800,000
Qualified Research Expenses (QREs)	\$ 1,760,000
Net Federal Credits	\$ 110,000
Net State Credits	\$ 54,000
<b>Total Net Federal and State Credits 1-Year</b>	<b>\$ 164,000</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. We work collaboratively with your CPA firm to assist in the review, documentation, and substantiation of the tax incentives specific to your business. Additionally, our management consulting services help businesses realize cost savings and maximize efficiencies, including treasury management and other accounting-related functions. At BRAYN, we focus on building quality relationships where we are a key partner in driving business prosperity.



# 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 standard, so most recent construction or renovated commercial buildings will pass the qualification tests.

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

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

### GENERAL CONTRACTOR CASE STUDY:

High School PIS 2014	Independent School District
Allocation	HVAC, Lighting, Envelope
Building	150,000 sf
Energy Efficiency All Systems	53%
Deduction	\$ 1.80/sf
Total 179D Deduction	\$ 270,000
<b>Total Benefit</b>	<b>\$ 95,000</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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