



INDUSTRY MATRIX FOR TAX SAVING OPPORTUNITIES (updated 09-22-2015)

Industry	R&D Tax Credits	Repair /Asset Retirement	45L Tax Credits	179D Tax Deductions	Employment Tax Credits	Cost Segregation	IC-DISC	199 DPAD Deduction
Affordable Housing		X	X	X	X	X		
Agriculture, Forestry & Fishing	X				X	X	X	
Architecture & Engineering	X			X	X	X	X	X
Auto Dealerships		X		X	X	X		
Communications & Utilities	X	X		X	X	X		
Construction	X				X	X		X
Film & Music	X	X		X	X	X	X	X
Financial Services		X			X	X		
Government Contractors	X	X		X	X	X	X	
Healthcare		X		X	X	X		
Hotels		X		X	X	X		
Logistics & Distribution		X		X	X	X	X	X
Manufacturing	X	X		X	X	X	X	X
Mining	X				X	X	X	
Multifamily Developers		X	X	X	X	X		
Oil & Gas	X	X			X	X		
Pharmaceutical	X	X		X	X	X	X	X
Professional Services		X			X	X		
Real Estate		X			X	X		
Restaurants		X			X	X		
Retail		X		X	X	X		
Technology/Software	X	X		X	X	X	X	X
Transportation					X	X		
Wholesale Trade		X		X	X	X	X	

Call us today at **877-525-4462** to see how we can help you and your clients better understand these opportunities and secure these specialty tax incentives.

NATIONWIDE SERVICE



Identifying Value-Added Tax Opportunities (updated 01-07-16)

KBKG Service	Description & Highlights	Applicable Clients/Industries	How much is it worth?	Years	Tax considerations
Research & Development Tax Credits (Federal & State)	Federal and State tax credit - designed to promote technological innovation in US companies. Research must be conducted in the US, not abroad. Most Qualified Expenses are wages paid to employees conducting certain activities. Payments to contractors doing R&D for Client may also qualify.	<ul style="list-style-type: none"> • Manufacturing • Architects • Food Processing • Software Development • High Tech • Equipment or tools <ul style="list-style-type: none"> • Clients developing prototypes, testing, applying for patents, upgrading systems/software • Clients improving products or • Improving their manufacturing processes 	Federal Benefit - Roughly 6.5% of their total Qualified R&D Expenses Ex. Client has \$1M/year of wages related to R&D. Benefit = \$65k/year. Many states also allow an R&D credit. For example, CA R&D Credit is worth an additional 6% of Qualified R&D expenses.	Any open tax year. 3 year Federal Statute and 4 years for some states.	General Business Tax Credit • Dollar-for-dollar reduction in income tax liabilities. • 1 year Carryback / 20 year carryforward of unused credits. • Qualified small businesses can reduce alternative minimum tax liabilities. • Qualified start-up companies can offset up to \$250,000 in payroll taxes.
Repair v. Capitalization Review "Asset Retirement Study" (Federal)	New rules allow you to assign value to "structural" components removed from a building and write off the remaining basis! Regs also clarify repair expense treatment of many types of building costs such as HVAC or roof replacements. KBKG also provides compliance consulting for repair and disposition regulations.	Any building renovation costs > \$400k Retirement Study- Building is renovated AFTER owning it at least 1 year. Building should have >\$500K of remaining depreciable basis left. Repair Study- renovations that include roof, HVAC, windows, lighting, plumbing, ceilings, drywall, flooring, etc.	Additional Year 1 deductions of 15%-40% of renovation costs (on top of benefits from 1245 reclassification) Ex. Client spends \$3M on structural renovations. Additional Year 1 deductions of \$450K-\$1.2M.	Any building renovated or improved in the last 15 Years. Use Form 3115 to claim missed deductions anytime.	• Depending on specific issue, may require a separate 3115 if doing concurrently with a depreciation change.
Fixed Asset Tax Review (Federal)	Comprehensive review of company's entire Fixed Asset listing & supporting documents to assign appropriate tax lives, identify retirements, and correct items that should be expensed. Includes Cost Segregation & Repair analysis.	Operations with > \$40M in real property or > 1,000 lines of fixed assets. <ul style="list-style-type: none"> • Retail, Restaurant, Bank and Hotel Chains of 10 or more • Manufacturing • Utility Companies 	Net Present Value of 5-8% of total building related costs. Ex. Manufacturing client has \$60M of 39 year fixed assets. NPV Cash value = \$3M - \$4.8M	Use Form 3115 to claim missed deductions anytime.	• Reduces AMT • Generally, 2 year NOL carryback and unused deductions carryforward. • Must recapture personal property upon sale of building.
Residential Energy Credits (Section 45L) (Federal / States can have similar programs)	Federal credit for developers of Apartments, Condos, or Spec Homes that meet certain energy efficiency standards. Units must be certified by a qualified professional to be eligible.	Anyone that built Apartments, Condos, or Track Home Developments in the last 4 years. Generally more than 20 units.	Federal Credit = \$2,000 per apartment/home unit. Many states have similar credits. Ex. 100 unit apartment/condo can get \$200,000 of Federal Tax Credits.	Any open tax year. 3 year Federal Statute	General Business Tax Credit • Credit is realized when unit is first leased or sold, not placed in service. • 1 year Carryback • 20 year carryforward. • Does not reduce AMT except for 2010. • 2010: ESB allows carry back 5 years.
Commercial Energy Deductions (Section 179D) (Federal/ States can have similar programs)	Federal deduction for Architects, Engineers, and Design/Build Contractors that work on Public or Government Buildings such as Schools, Libraries, Courthouses, Military Housing etc. Also available to any commercial building owner.	<ul style="list-style-type: none"> • 179D for Designers: Architects, General Contractors, Engineers, Electrical & HVAC Subcontractors. • Any Building Owner or Lessee: That has constructed a commercial improvement greater than 40,000 SF since 1/1/2006. 	\$.30 up to \$1.80 per square foot in Federal Tax Deductions. Ex. 100,000SF building is eligible for \$180,000 in deductions.	Designers: Open tax years. 3 year Federal Statute Owners: Can go back to 2006 with Form 3115 to claim missed deductions.	• Reduces AMT • Generally, 2 year NOL carryback and 20 year carryforward. • Deduction reduces basis in real property.
Employment Related Tax Credits (Federal)	Federal Work Opportunity Tax Credit (WOTC) Federal Empowerment Zone Credits - Location Based Federal Health Insurance Premium Credits (FHIPC)	<ul style="list-style-type: none"> • WOTC - 500 or more employees. Location doesn't matter. • Empowerment Zones - 10 or more employees located in the designated area. • FHIPC (Section 45R) - clients w/ under 50 employees and paying health insurance. 	WOTC - up to \$9,000 per eligible employee. Empowerment Zone - \$3,000 per eligible employee. FHIPC - 35% to 50% of health insurance premiums.	Any open tax year. 3 year Federal Statute	General Business Tax Credit • Various tax considerations can be discussed with KBKG.
CA Competes Credit (State)	California income tax credits designed to stimulate growth throughout the state.	CA Competes Credit: Growing business clients who anticipate hiring additional employees, constructing new buildings, or investing in new equipment.	Must apply for credits. Up to \$37,000 per eligible employee, over a 5 year period. Generally 15-35% of employees qualify. Equipment- Credit is equal to Sales Tax paid.	Any open tax year. 4 year CA State Statute	• Credits will reduce taxes on owners W2 wages and personal return. • Credits flow through to owners. • Credits will offset tax at the S-Corp level.



Identifying Value-Added Tax Opportunities (updated 01-07-16)

<p>Cost Segregation (Federal & State)</p>	<p>Allows taxpayers who have constructed, purchased, expanded, or remodeled any kind of real estate to accelerate depreciation deductions by reclassifying building components into shorter tax lives.</p>	<p>Any building with over \$750k of depreciable tax basis. Any leasehold improvement with over \$500k of depreciable tax basis.</p>	<p>Net Present Value = 3-6% of the total building cost. Ex. \$2M office can yield an NPV of \$60k-\$120k.</p>	<p>Assets acquired in the last 20 Years. Use Form 3115 to claim missed deductions anytime.</p>	<ul style="list-style-type: none"> • Reduces AMT • Generally, 2 year NOL carryback and unused deductions carryforward. • Must recapture personal property upon sale of building.
<p>IC-DISC Federal Income Tax Incentive (Federal)</p>	<p>The IC-DISC provides significant and permanent tax savings for producers and distributors of U.S.-made products and certain services used abroad.</p>	<p>Any closely held, privately owned business with over \$250,000 in profits from exports.</p> <ul style="list-style-type: none"> • Manufacturers • Distributors • Architects & Engineers • Agriculture and Food Producers • Software Developers • Other Producers 	<p>Minimum permanent 19.6% decrease in tax rate on half of export profits. Benefits can be dramatically higher by performing a transaction-by-transaction analysis.</p>	<p>Benefits begin when entity is formed. Transaction-by-transaction analysis for existing IC-DISC calculations can be amended for any open tax year (3 year Federal Statute).</p>	<ul style="list-style-type: none"> • Requires annual filing 1120 IC-DISC. • No changes to business operations.
<p>Property Tax Consulting: Appeal and Compliance Services • Personal Property • Real Estate</p>	<p>Ensure that companies pay the minimal real estate and personal property tax amount, meet all compliance requirements and leverage available exemptions and abatements.</p>	<p>Real Property: All states. \$100k+ tax bill</p> <ul style="list-style-type: none"> • Commercial real estate owners • Multi-Family, Hospitality • Manufacturing, Distribution, Oil & Gas 	<p>Immediate reduction in current property tax liability. Client pays a % of savings. Per return fee arrangements are typical for compliance engagements.</p>	<p>Year by Year</p>	<ul style="list-style-type: none"> • Appraisal district must rely on mass appraisals techniques. • Assessed Value is an opinion of value and may not equate to market value. • Unique characteristics of building may not be accounted for.
<p>Sales & Use Tax Review (State)</p>	<p>State tax codes are very specific regarding products & services which can be exempt from taxation. Ensure that clients did not overpay Sales and Use Taxes. Over/ Under payments are identified, quantified and submitted to the respective State for a refund.</p>	<p>Non-taxable states: NM, NH, OR, MT, AZ, DE.</p> <ul style="list-style-type: none"> • \$30 million+ in sales, greater than \$100k in audit liabilities • Multistate operations • Multiple vendor relationships • Poor accounting/tax software • Manufacturing, Oil & Gas, Hotels, Telecom, etc 	<p>Refund of overpaid sales and use tax on expenditures. Can be significant when refund covers multiple years. Voluntary disclosures of unpaid tax can minimize penalties.</p>	<p>Any open periods allowed by statute of limitations. (SOL= 4 years in most states)</p>	<ul style="list-style-type: none"> • Sales & Use tax state law is complex and varies by State. • Over and Under payments are reviewed for a net assessment. • Sampling is used for large transaction data sets.

For an electronic copy of our service matrix, contact us at 877.525.4462 or email info@kbkg.com