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## R&D TAX CREDIT OPPORTUNITIES FOR FOOD, BEVERAGE AND NUTRACEUTICAL COMPANIES

**SECONDS ANYONE?** How food, beverage and nutraceutical companies are generating current cash from past investments à la R&D tax credit opportunities. In 2011, these companies' credits exceeded \$110 million.<sup>1</sup>

If you're trying to make your food, supplements, or beverages better, in terms of taste, nutrition, ingredients, packaging or ease of manufacturing; or if you're trying to make your manufacturing process "leaner" or increase its throughput or functionality; your investments are probably eligible to deliver you "seconds" in the form of research and development (R&D) tax credits.

Now more than ever consumer focus on a product's proprietary formula, or the government's emphasis on purity or quality requirements for labeling, have challenged the food, beverage, and nutraceutical industries to innovate, and companies are responding with increased investments in R&D, food science, chemistry, engineering, biology, and even software development.

Top chefs at small "mom and pop" startups to worldwide leaders in the food and supplement industry are enhancing the value of these investments with a special ingredient: R&D tax credits.

### RECIPE FOR CASH

Companies that attempt to develop new or improved recipes, formulas, products, manufacturing processes, and software are eligible for federal and state R&D tax credits and incentives often equating up to 15 percent or more of qualified spending.

Dollar-for-dollar offsets against income tax liability, these benefits have enabled startup and mature businesses to expand their labor force, invest in new technologies, and finance other business objectives.

And if you're not paying taxes, you can still benefit from R&D credits: many states will pay you the value of your credit if you don't have tax liability, and state and federal credits can be carried back to earlier-and forward to later-tax years, when you could use the credits.



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<sup>1</sup> 2011 is the latest year for which the IRS has published statistics.  
<http://www.irs.gov/uac/SOI-Tax-Stats-Corporation-Research-Credit>

## YOU'RE ELIGIBLE IF YOU:

### Have these kinds of employees or contractors:

- Formulators
- QAJQC professionals
- Food scientists
- Process engineers
- Packaging engineers
- Manufacturing engineers
- Analytical chemists
- Powderline leads
- Preformulation professionals
- Weigh/blend professionals
- Product Managers
- Biologists
- Nutritionists

### Working to develop such things as new or improved:

- Flavors
- Product formulas
- Supplements
- Vitamins
- Organic foods
- Herbal extracts
- Prepackaged foods
- Separation processes
- Low- and no-calorie and -carbohydrate products
- Granulation processes
- Mixing processes
- Production yields
- Waste reduction technologies
- Packaging
- Software for internal warehousing and distribution
- Temperature-control technologies, e.g., freezers

Your efforts do **not** have to succeed to qualify.

And you don't have to be trying to revolutionize the industry to qualify. **Attempts to develop incremental, evolutionary product and process improvements are eligible**, as well.

## NEXT STEP? COMPLIMENTARY R&D REVIEW

Most companies want to know if they're leaving cash on the table and, if so, how much. A Complimentary R&D Review is designed to help answer these questions. Contact our experienced Food Industry team at (908) 782-7900.



Bedard, Kurowicki & Co., CPA's is an independent member firm of BDO Alliance USA.

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