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Page Title: What Business Owners Should Know About the R&D Payroll Tax Credit in 2024 | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] explores how businesses across various sectors are leveraging the R&D tax credit to fuel innovation while mitigating costs.

Headline: What Business Owners Should Know About the R&D Payroll Tax Credit in 2024

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Across the country and across many industries, there is an ongoing need to innovate. Of course, coming up with the next big thing often requires a great deal of investment, time, research and development. This can add up quickly—but the good news is that a tax credit available to businesses for qualifying research and development costs can help to offset some of those expenses.

Business owners are implored to understand recent changes to the R&D tax credit along with current eligibility requirements so they can minimize their tax burdens while continuing to improve and innovate in their respective fields.

What Is the Research and Development Credit?

Specifically, the Research and Development tax credit is a federal credit that is available to businesses that have invested funds into innovation, research, development and experimentation. This credit is beneficial to businesses that qualify because not only does it offer a dollar-for-dollar reduction in tax liability, but it also offers about 13 cents in credits for every eligible dollar spent.

It is also worth noting that the Research and Development tax credit is often referred to as the Research and Experimentation (R&E) credit, but these are the exact same thing—and both are covered in [IRS Section 41](#).

Recent Changes to the R&D Credit

Even for businesses that have claimed the R&D credit in previous years or have been ineligible in previous years, it is important to revisit this credit because there have been some recent changes.

Specifically, as part of the Inflation Reduction Act of 2022, the annual election for the R&D credit against Social Security tax was increased to \$500,000. Considering the previous maximum credit was \$250,000, this means that the potential credit amount doubled beginning in 2023.

How to Qualify for the R&D Credit

While not all businesses will qualify for the R&D tax credit, all small businesses should check eligibility status at the beginning of each new tax year. Generally speaking, any small business operating within the United States can qualify to deduct relevant research, development and experimentation costs so long as these costs meet the following criteria:

- The activities meet a permitted purpose, meaning that they are meant to improve a new or existing product.
- The R&D activities are technological in nature, relying on engineering, computer science, physical science or biological science.

- R&D activities effectively eliminate uncertainty surrounding a product's design or capabilities.
- R&D activities involve thorough experimentation processes, such as extensive testing and trial/error.

Examples of specific expenses that may qualify for the R&D credit include costs related to paying research and development employees, testing supplies and third-party costs.

It is also worth noting that in order for a [small business](#) to qualify for this tax credit, the business must be within its first five years of operation/revenue. Likewise, the credit-year gross receipts of the business must total less than \$5 million.

How to Claim the R&D Credit

For businesses that meet the eligibility requirements for the R&D credit, it can be claimed by completing and filing IRS Form 6765. This form should be filed with all other business-related tax return documents by the annual deadline.

After this form is filed, the qualifying business can start applying the credit to employer Social Security and Medicare taxes starting with the following quarter. From there, any remaining credit amount can be applied with each new quarter until the funds are completely utilized. In other words, the credit can "roll over" indefinitely until it has been exhausted.

Consult with an Experienced Financial Advisor

All too often, small businesses leave money on the table come tax time simply because business owners aren't aware of potential credits and tax breaks, including the R&D credit. However, with recent changes to the credit, there has never been a more important time for qualifying small businesses to take advantage of these potential tax savings while striving to innovate in a competitive economy.

For business owners who aren't sure whether they qualify for the R&D credit or could use some additional guidance with claiming the credit accurately, it's always a good idea to consult with a financial advisor or small business tax professional. From there, it is possible to get the expert help needed when claiming a complex credit and completing one's business taxes as accurately and confidently as possible.

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If you have any questions or would like additional information, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

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