

AN ALERT FROM THE BDO CREDITS &amp; INCENTIVES PRACTICE

# BDO KNOWS:

## CREDITS & INCENTIVES



### ► SUBJECT

## R&D TAX CREDIT EXTENDED FOR 2010 AND 2011 CALENDAR-YEAR EXPENSES

### ► INTRODUCTION

President Obama signed today the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* ("2010 Tax Relief Act"), extending Internal Revenue Code Section 41's Credit for Increasing Research Activities ("R&D Tax Credit") for expenses paid or incurred during the period January 1, 2010, through December 31, 2011. No other changes to the credit were passed as part of this legislation.

**FIN 48/ASC Topic 740 Implication:** Companies who haven't recognized a financial-statement benefit for their federal R&D tax credit for expenses paid or incurred during the period January 1, 2010, through December 31, 2011, should review their facts to determine whether and to what extent they may now be able to do so.

### ► BACKGROUND

The R&D tax credit provides a credit against regular federal income tax liability equal to up to 20 percent of eligible spending for qualified services. Generally, "qualified services" include activities intended to develop or improve the functionality and performance of products, manufacturing processes, and software, to the extent such activities rely on engineering or the physical or computer sciences.

Please let me or one of our R&D Leaders know if you have any questions about the credit, its treatment for FIN-48/ASC-Topic-740 purposes, or whether your company or clients may be eligible.

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