

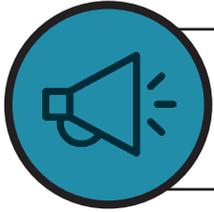
# ROUNDTABLE WHITE PAPER

WEDNESDAY, JANUARY 29, 2020 | 3:00-4:00PM EST

Q1 ROUNDTABLE  
JANUARY 2020



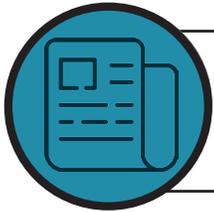
# Agenda



## Introductions and Announcements

Jason Massie and Peter Green  
MASSIE R&D Tax Credits

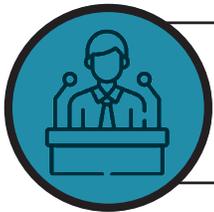
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## Special Report on *Siemer Milling Co*

Alex Sadler and Doug Norton  
Morgan Lewis

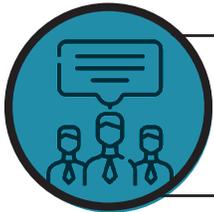
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## Member Spotlight

Dan Mansfield  
Caterpillar

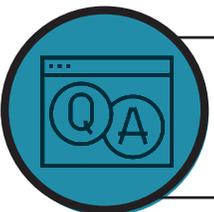
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## Panel Spotlight

Kathryn Shotwell  
Arbor Pharmaceuticals  
Jason Massie and Sara Beth Watson  
MASSIE R&D Tax Credits

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## Wrap Up

Jason Massie  
MASSIE R&D Tax Credits

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# Companies Who Attended

Acxiom + IPG | Aegion | Albany International Corp. | Alexion Pharmaceuticals, Inc. | Analog Devices  
Arbor Pharmaceuticals, Inc. | ASML | AT&T | ATI | AVI-SPL | Bakkavor | Ball Corporation | Bandwidth Inc.  
BASF Corporation | Booking Holdings Inc. | Bottomline Technologies | Bridgestone Americas, Inc. | CalAmp Corp  
Caterpillar Inc. | Chegg Corporation | Cisco Systems, Inc. | Cognizant | Columbia Sportswear | CommScope  
Conair | Constellation Brands, Inc. | Core Scientific | Corning Incorporated | Crane Co | CSI | CSX Transportation  
Cummins Inc. | Danfoss Corporation | Danimer Scientific | DigitalOcean Inc. | Doosan/Clark Equipment Company  
doTERRA International, LLC | Dow, Inc. | Eastman | EDF Renewables, Inc. | EMD Millipore Corp | Epic  
Fender Musical Instruments Corporation | Fiserv | Fluidra S.A. | GAC | General Atomics | Genesys  
Granite Telecommunications, LLC | Gulfstream Aerospace Corporation | Harley-Davidson | HCA Healthcare | IHG  
Infor | Ingram Industries Inc. | Intergraph Corporation | Intuit Inc | IPG | JBF | Johnson Outdoors  
Kiewit Corporation | Koch Industries | Konecranes | Libbey Glass | Lockheed Martin | Loram  
Lowe's Companies, Inc. | MACOM Technology | Macy's | Mailchimp | MEDHOST | Micron Technology, Inc.  
Microsoft | Midmark Corporation | Nematik USA | NewMarket Corporation | Northrop Grumman  
Old Dominion Freight Line, Inc. | Oracle | PACCAR Inc. | Pacira Pharmaceuticals | Powell | Praxair  
Qualcomm Incorporated | Reckitt Benckiser | Rehrig Pacific Company | Rich Products Corporation  
S. C. Johnson & Son, Inc. | Saft America, Inc. | Select Interior Concepts, Inc. | Southwire  
SS&C GlobeOp Technologies, Inc. | Stanley Black & Decker, Inc. | Starkey Hearing Technology  
Swedish Match North America | Target Corporation | TEL | Teladoc Health, Inc | Tennant Company  
Texas Instruments | Textron Inc. | The Coca-Cola Company | TMS International | Tribune Publishing Co.  
Unilever | United Launch Alliance | Vyair Medical, Inc. | Western Digital



# MASSIE Notes



## Introductions and Announcements

Jason Massie and Peter Green  
MASSIE R&D Tax Credits

- Peter Green and Jason Massie opened the Roundtable and introduced the agenda items and featured speakers.
- The *Siemer Milling* case proves that the old traditional models of collecting documents for the R&D Tax Credit is just not going to work much longer. Many successful companies are adopting the industry success model that focuses on collecting documentation throughout the year for the R&D Tax Credit.



Jason Massie



Peter Green



## Special Report on *Siemer Milling Co*

Alex Sadler and Doug Norton  
Morgan Lewis

- 4 cases came out on R&D tax credit in 2019. *Siemer* is the most important. Big victory for the IRS. Since that time the case has been brought up in Exam and Appeals. Time to figure out how to deal with it.
- Judge Buch of the Tax Court determined taxpayer failed to prove it had engaged in qualified research.
- Facts state that CPA provider had prepared credit studies for many years. Employees had no hard-science degrees, but company did have a lab, R&D manager and R&D staff.
- Service took “kitchen sink” approach. Determined none of the projects qualified. All four areas of the four-part test were challenged.
- Project detail that came out in court sounded good, but the IRS and Judge Buch didn’t think those were supported by evidence (i.e., quoting Union Carbide, projects must involve methodical plan involving a series of trials to test a hypothesis, analyze the data, refine the hypothesis so that it constitutes a process of experimentation in the scientific sense). Oral testimony and documentation not enough to sway the Court.
- The opinion reflects some evidence of experimental activities, but not enough tying all activities together in a way that proved the threshold was met.
- Main takeaway is that taxpayers should be wary of including minimalistic descriptions of their research activities to support the qualifying nature of the activities.
- Case positives: It’s OK to have project uncertainties span more than one year, wasn’t necessary to have people with specialized degrees in sciences, no accuracy related penalties because relying on competent CPA provider for study was in good faith.



Alex Sadler



Doug Norton





## Member Spotlight

Dan Mansfield  
Caterpillar

- Caterpillar doesn't have a once a year grab for information, there is no way the credit would work well doing it that way due to the number of projects each year.
- Caterpillar incorporates the four-part test into an SME web-based survey to gather information more in real-time.
- When project codes are created and spend charge hits the project, an email is sent to the engineering manager ("SME") to fill out the project details (cloud survey).
- SME must provide relevant attachments (i.e. project charter, test documents) to the survey.
- SMEs can also check an example list as to documents they keep in their files to give them an idea of what to attach.
- Dan conducts SME training sessions in different departments. He also has short videos of 8-10 minutes that explain certain aspects of the survey. He tries to make it convenient for them to learn.
- IRS continuous audit program, documentation generally is not challenged because it is down to the project level details. At one time the IRS asked for more details and now Dan gives them more than they can handle.
- Wage QREs computed based on (1) cost center and (2) product side. Some groups time charge, and some groups review monthly survey to capture time.
- There is no tax jargon used in surveys.
- They complete 20,000-30,000 surveys each tax year.
- This has to be automated for it to work.



Dan Mansfield



## Panel Spotlight

Kathryn Shotwell  
Arbor Pharmaceuticals  
Jason Massie and Sara Beth Watson  
MASSIE R&D Tax Credits

- A big part of their credit is contractor spend with CROs.
- Look to make sure you have nexus between activities and expenditures and outline an "Audit Ready Roadmap".
- Project starts with Architecture Phase reviewing all project spend and talking high level with SMEs.
- Then after project list has been narrowed down, conduct Kick Off meetings with certain SMEs to learn about projects and contractors.
- Vendor review is a big part of the study time.
- Need to review every aspect to make sure where conducted and billing terms.
- Sometimes review invoice level information.
- Good G/L detail by project to review for QRE determination.
- Regulatory group provides great documentation such as Protocols, clinical reports.
- Contractor spend organized into excel matrix and same goes for documentation submitted, want to make sure all documentation meets one of the four-part tests. Get those organized for IRS exam by project and SME and location.



Kathryn Shotwell



Sara Beth Watson



Jason Massie



# MASSIE Notes



## Wrap Up

Jason Massie  
MASSIE R&D Tax Credits



Jason Massie

- We are seeing *Siemer Milling* quoted at Exam and Appeals.
- We would recommend you review your current process and documentation to evaluate how you would do if facing the *Siemer Milling* exam team.
- It is easy to make sure information is organized clearly and the story behind your who, what, when, where, why and how is told better.
- Don't rely on prior process or get lazy thinking you will never get audited.
- Better to pull information now, or to dream big and move your process closer to what Dan mentioned during his presentation.
- Call us to talk about our Reverse Audit service where we review your workpapers and documentation and provide you with a SWOT and working session with our findings.

## Next Roundtable



Wednesday, April 29th at 3PM EST

Sign up today, visit: [massietaxcredits.com/roundtable](https://massietaxcredits.com/roundtable)





# ROUNDTABLE ON THE ROAD

## PARTNERING WITH LOCAL TAX GROUPS



MASSIE would love to partner with your local tax group for your next meeting! We offer two options to help fulfill your content needs.

### 1-hour lunch workshop

In this 1-hour CPE accredited workshop, you will learn how the best of the best are handling their R&D Tax Credit. Topics range from “How to improve SME engagement” to “New IRS audit trends and how to prepare for them”, and everything in between. MASSIE will provide the location

### Half-day seminar

Half-day training with 2 hours on R&D Tax Credit Best Practices and 2 Hours of Federal Tax Updates. MASSIE will provide the co-host for the federal tax sessions, the location for the event, breakfast, lunch, and CPE credits.

## FOR MORE INFORMATION CONTACT

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