

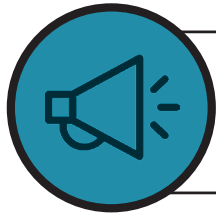
ROUNDTABLE WHITE PAPER

WEDNESDAY, AUGUST 26, 2020 | 3:00-4:00PM ET

Q3 ROUNDTABLE
AUGUST 2020



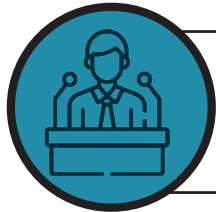
Table of Contents



Introductions and Announcements

Jason Massie and Peter Green of MASSIE R&D Tax Credits

page 4



Research Credit Upgrades from Congress

Rep. Jackie Walorski (2nd District Indiana) and Sen. Chris Coons (Delaware) represented by Jamie Gardner (Policy Advisor)

page 4, 5



Spotlight Speaker

Peter De Nicola of FUJIFILM

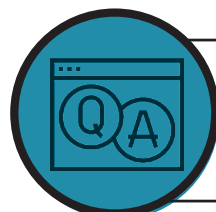
page 6



IRS Update

Matt Lerner of Sidley Austin

page 6, 7



Next Webinar

page 7



Companies Who Attended

Advanced Micro Devices, Inc.
Albemarle Corporation
Anika Therapeutics, Inc.
Ball Corporation
Bank OZK
BioMerieux, Inc.
Blount International Inc
BMC Stock Holdings, Inc.
Bottomline Technologies
C Spire
Cabot Corporation
Caterpillar
Cerner
CGI Federal
Cisco
Clinical Laboratory Services, Inc.
CommScope
Constellation Brands
Core Scientific Inc.
Cummins Inc.
Deluxe Corporation
Doterra
Eastman Chemical Company
EMD MilliporeSigma Corp
Encompass Health Corporation
Epic
Equinox
Exyte
Fortune Brands Home & Security, Inc.
FUJIFILM Holdings America Corporation
Genesys Telecommunications
Gigamon, Inc.
Gulfstream Aerospace Corporation
H&M Shared Services, Inc.
Infor
International Paper
Interpublic Group
Interstate Batteries
Intuit
ITW
IVC
K12
Konecranes Inc.
L.B. Foster Company
L3 Harris Tech.
LMI Aerospace
Lockheed Martin Corporation
Luminex
Macy's

Magic Leap
Mailchimp
Mallinckrodt Pharmaceuticals
McCormick & Company, Inc.
McKesson
Microchip
Micron Technology, Inc.
Midmark Corporation
Neenah Inc.
Nemak
NewMarket
Northrop Grumman
Old Dominion Freight Line, Inc.
PACCAR
Pioneer Natural Resources
PPD
Qualcomm Inc.
Quidel Corporation
Rensselaer Polytechnic Institute
ResMed Inc.
Saft America Inc
San Jose State University
Sanofi
SCE
Scotts Miracle-Gro
Siemens
SMC Ltd
Solvay
Stanley Black & Decker, Inc.
STERIS Corporation
Suntory International Corp.
Swedish Match
SWM International Inc
TCS
Teladoc Health, Inc
The Coca-Cola Company
The Hartford
The Suddath Companies
Tokyo Electron (TEL)
Transocean
TSI
ULA
University of Phoenix
Walgreen Co.
Watkins Associated Industries, Inc
Wells Fargo
Western Digital
WideOrbit Inc



MASSIE Notes



Introductions and Announcements

Jason Massie and Peter Green
MASSIE R&D Tax Credits

- MASSIE is available to speak to your TEI group virtually: 1 hour, 2 hour or 4-hour sessions. We partner with leading consulting and law firms to bring you content, either R&D Tax Credit related or other tax topics of interest
- MASSIE is looking for volunteers from the Roundtable to join a 1-hour special ZOOM call to gather suggestions of how to enhance the R&D tax credit. Feedback gathered from the group will be sent to Rep. Walorski and Sen. Coons. They requested this from our group.



Jason Massie



Peter Green



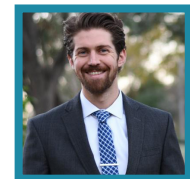
Research Credit Upgrades from Congress

Rep. Jackie Walorski (2nd District Indiana) and Sen. Chris Coons (Delaware) represented by Jamie Gardner (Policy Advisor)

- Rep. Jackie Walorski (2nd District Indiana)
 - Republican elected in 2012, sits on House Ways and Means Committee, has sponsored HR 7766 and has brought Sen Coons FORWARD Act to the House
 - Sees many American companies struggle with the virus, but other companies are all-in on developing vaccines, medical devices and equipment and PPEs
 - 20,000 people in Indiana employed in the medical device industry; 60,000 in bio-science industry
 - US needs to encourage innovation and entrepreneurial spirit
 - Need more critical manufacturing of products to return to the US to keep America safe and healthy
 - International competitors supporting R&D more than the US, so we need to make US credit more beneficial
 - She is proud Congress made R&D tax credit permanent in 2015, and expanded it to benefit more small businesses
 - She introduced HR 7766 to double the R&D tax credit to give US companies more incentive to do R&D in the US
- Her bill supported by National Association of Manufacturers



Jackie Walorski



Jamie Gardner



- Wants to keep America ahead of international competitors, also introduced the FORWARD Act which helps small and medium size businesses and for companies who get most of their gross receipts from manufacturing products in the US, and IGNITE American Innovation Act allow monetization of certain tax assets to help with liquidity
- She encourages this group to stay engaged with her so that improvements to the R&D tax credit can be made; she wants to understand more about how these issues impact those on the Roundtable (the real-world impact is important to her)
- Sen. Chris Coons (Delaware) represented by Jamie Gardner (Policy Advisor)
 - Democrat who took over Joe Biden's seat in 2010. Sits on the Appropriations Committee and Small Business & Entrepreneurship. Brought the FORWARD Act to the Senate
 - Policy Advisor Jamie Gardner spoke on behalf of the Senator as he is on the campaign trail with Joe Biden
 - Jamie part of a program run by the American Academy for the Advancement of Science, funded by the Institute for Electrical and Electronics Engineers, goal behind the program is to bring scientists and policy makers together, which should result in better science policy, and FORWARD Act is a good example.
 - Jamie spent decade as physics researcher, then showed up at Sen. Coons office a year ago. They worked together to craft a bill that would truly benefit the science community. Decided that the researcher position needed more incentives behind it
 - Sen Coons in the 1990s was in-house counsel for WL Gore and back then wanted to make the R&D tax credit permanent. When he joined the Senate he proposed to make it permanent back in 2011. R&D tax credits have been a long passion for Sen. Coons and he was a strong backer in 2015 of making the tax credit permanent
 - FORWARD Act designed to have an impact on small businesses, those with liquidity issues, and to get bi-partisan support. Design a bill that could actually pass
 - Two main ways FORWARD Act will help: 1. Encourage collaboration between companies or with universities or research consortium, enhance credit for research efforts that support domestic manufacturing operations, 2. Support the payroll provision so that more companies can use the credit against payroll
 - Sen Coons wants to spend more on R&D and doubling the R&D credit would be one way for Congress to put more money behind the R&D community
 - Strategies related to getting a tax bill passed: FORWARD Act has all its co-sponsors sitting on the Finance Committee, so this was part of the strategy to get this Bill reviewed and passed and the House sponsors are on Ways and Means. Tried to craft this around a COVID recovery provision that it might be added and make sense
 - Jamie thinks next Congress will address 174. It is a recurring theme. Jamie believes there is a lot of interest in pushing the 174 cliff back. It will be expensive. Congress might not address this until late in the year, which isn't ideal. But he is confident this will be addressed in the next Congress
 - Jamie would like to see the Roundtable provide input on 41 and 174. Encouraged this group to form a committee to propose some enhancements. MASSIE will coordinate this for the Senator



MASSIE Notes



Spotlight Speaker

Peter De Nicola of FUJIFILM



Peter De Nicola

- Peter has been with the Company for 30 years. FUJIFILM has evolved over the past 10-15 years beyond being a film company: document solutions, medical imaging and diagnostic equipment, biologics, regenerative medicine, stem cell manufacture, graphic arts equipment and highly functional materials
- Peter assigns members of his tax team to cover certain companies. It is up to each resource to get to know the assigned company and learn about their R&D.
- They have meetings with the technical resources, and tailor the data gathering process to each company's business operations
- They look outside of R&D departments for QREs, especially new plant construction
- Technical people understand what tax needs after years of doing this
- Peter found it useful to report back to the companies what they contributed toward the credit. Made it a competition, friendly rivalry. Pride in generating a lot of QREs. Companies want to be #1. Great culture Peter has developed
- Process has shown those in the field that they should be thinking about taxes. That the tax department can bring about savings for the company



IRS Update

Matt Lerner of Sidley Austin



Matt Lerner

- Sidley seeing controversy around the country
- Uptick in examination of R&D credit, LB&I hiring more people, less domestic issues, LB&I Campaign
- Exam teams making early determination based on limited facts, pushing taxpayers into a corner, so you need to have a good study, appropriate audit plan, and make sure you own the facts
- Some Exam Teams going right to job titles, bias learned from auditing other companies, need to make sure to differentiate your facts from others



- Exam teams continue to reject high level personnel. If they are doing research, be prepared to show facts and evidence
- Exam will use sampling when favorable and easy for them to do so. You need to be prepared and do your own sample. Don't just take the IRS sample at face value
- Some Exam Teams want you to reconcile 174 with 41, but it is not required by regs so you should push back on this
- If Exam Team tells you that exam might be easier if you were under ASC 730 safe harbor, this might be a good suggestion, but it could mean giving up on QREs outside the directive. Beware
- If Exam Team wants to interview and survey your SMEs, participate in creating the surveys, cherry pick the SMEs. Don't be afraid of interviews.
- We continue to see IUS reviewed, so be prepared to defend the extra three tests.
- Burden of proof as an Exam point is stronger than ever, demanding proof of innovation, uncertainty, and arguing that development of existing products is highly similar to work done in the past



Next Webinar



R&D Tax Credit Best Practice Roundtable

Wednesday, November 4th at 3pm ET

Complimentary | 1 CPE Credit

Sign up today, visit: massietaxcredits.com/roundtable/the-r-d-tax-credit-roundtable





678.807.7228

info@massietaxcredits.com

massietaxcredits.com