

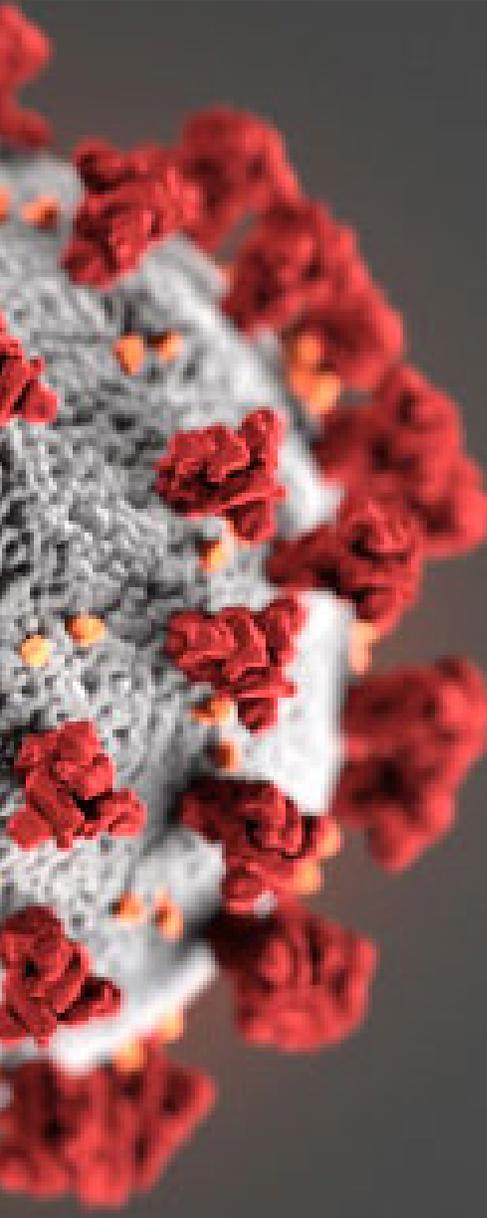


TEI BALTIMORE - WASHINGTON CHAPTER

ROUNDTABLE WEBINAR

WHITE PAPER

SPECIAL ROUNDTABLE
2020



How To Manage R&D And Other Tax Credit Projects Remotely In 2020

Agenda

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Speakers



JASON MASSIE
Founder and President
MASSIE R&D Tax Credits



PETER GREEN
CEO
MASSIE R&D Tax Credits



Companies Who Attended

BAE Systems

Capital One

CGI Federal Inc.

Choice Hotels International

DXC Technology

K12

Leidos

Lockheed Martin Corporation

Midmark Corporation

NewMarket Corporation

Northrop Grumman

NVR, Inc.

Shiloh Industries Inc.

Sodexo

ZeniMax Media Inc.



MASSIE Notes



Introductions and Announcements

- Crazy times with sheltering in place, and social distancing
- Common method of doing face-to-face interviews not allowed; we will need to be more creative
- Many tax people and engineers now working from home
- Perception of working from home may be very different than reality. Your kids may invade your workspace and demand your attention
- We will provide tips and recommendations for conducting R&D studies without traveling and without face-to-face conference room interviews with SMEs
- Companies such as Caterpillar have used these techniques for years in order to reach thousands of SMEs. Dan Mansfield gave many examples for Caterpillar during our January Roundtable
- It's not all about the survey
- You need to engage your team, architect and kick-off the study, and consider using innovative tools in leading the process



Architecture Phase

- Start your process with an Architecture Phase (the MASSIE term for the first phase of the project)
- Architects are typically very imaginative and creative. They have unique abilities to analyze and critically assess problems. They can see the big picture and well as give attention to the smallest detail. They must communicate effectively with a diverse group of interested stakeholders from owners to contractors to government officials. During the design phase of any architecture project, they have learned to ask questions, listen well, develop rapport and trust and communicate clearly. They do so much background work before the construction phase begins in order to make the process as efficient as possible
- We recommend you start your R&D process with an Architecture Phase by asking questions of your R&D leadership as to how you are going to get this done without travel or face-to-face conference room interviews. Meet with SMEs and R&D stakeholders via video call. Discuss how the new normal impacts the credit, the R&D team, and how to work together
- Talk about timelines and possibly identify existing documentation to make this easier for SMEs. "Can we eliminate SME interaction by using documents you already have in your files?"
- Use this time to identify all areas of innovation through mapping products on your website or 10k back into R&D cost centers. This is the time for a fresh start and a new look at capturing more QREs than you have before. We find more QREs by looking at Operational Excellence, Business Transformation, Factory of the Future, Kaizen/Six Sigma. Explore all areas



- Key to designing a great system is to guide SMEs and let them assist with write-ups for the projects in their own words. Design SME training during the Architecture Phase to guide them through the process. If you make this simple, without tax talk, then SMEs are smart people and a large percentage of them will comply, allowing you to focus on the ones with questions
- Consider doing User Experience Testing. If you are going to develop a survey, or custom surveys for various departments or locations or types of engineers at your company, then get on a video call with some of them to go over the wording of your survey. Make sure they understand all questions. In fact, if you can get them to answer the questions on the call, then you can produce PDF “Sample Answers” to show other SMEs during the Kick-Off Phase. Make this easy for SMEs to see the types of responses you’d like to receive
- Take sample answers and put in a guidebook with FAQs. Record short how-to videos. Use an on-line real-time calendar app so that SMEs can schedule a meeting with you and invites are sent automatically with video links
- The Architecture Phase is where you investigate, engage with SME leadership, hold preliminary meetings, plan out your timeline and tools, get your process ready, and then prepare to proceed to the Kick-Off phase



Kick-Off Phase

- Grab your SMEs on a video call and conduct a Training and Education Session
- You may need to host multiple calls in order to cover different types of engineers or locations
- Introduce a “placemat” to them. A placemat is the MASSIE term for a PDF handout with everything the SME needs to know about your process
- Consider introducing your tax team, going over the four part test, identifying how the credit is computed, what qualifies, the big picture about things you need to gather, and timing
- Go over the sample answer PDFs in the meeting. Outline what is going to be in the SME email they will receive when they get done with the meeting
- Be sure your email out to the SMEs is brief and to the point. We include link to the video (showing screen shots of what needs to be done), the guidebook (which includes sample answers) and a link to the personalized excel spreadsheet
- Consider if you can provide simple and fun incentives to them for getting you the information back within a short period of time
- Provide unique upload links and download links
- Give SMEs options on how to get their questions asked and answered



MASSIE Notes



Request and Gather Phase

- We have found that typical users of the Big Four cloud based R&D tools requires SMEs to log in once to assist with QRE wage percentages and allocations, and then another log in to fill out technical questionnaires. This process of asking them multiple times to assist is disruptive to the SMEs and causes fatigue
- We have meshed everything together in one excel spreadsheet we call the “One Touch Tool.” Users of our One Touch Tool get a customized excel file that contains information for them to opine on QRE wage percentages and allocations, as well as four part test information. In fact, we also have Document Mapping where the SMEs check the boxes of items they have in their file (contemporaneous documentation) and where it is stored, and they have links to provide us sample documentation
- Consider prepopulating spreadsheets for the SMEs. Little touches can be “Red Boxes” that pop up if the R&D percentage goes up or down over last year. And prepopulating projects/business components in the spreadsheet for them to use for allocations
- Make sure your technical questionnaire is customized for them. Software engineers don’t want to fill out a generic manufacturing survey. Make sure you make this easy for SMEs without tax talk so they will comply. The harder you make this, the more SMEs you are going to have to deal with on a one-on-one basis
- When you do get all the emails and excel spreadsheets distributed, you will need to move into the “Help Desk Phase.” This is where you review submissions for accuracy and completeness, follow up with delinquent SMEs, and hop on video calls to answer questions. Don’t settle for less than a 90% return rate for the files. Even 10% can put your credit at risk in an IRS examination. We strive for 100% compliance
- Using this process, your team can take uploaded documents and organize them into an excel “Evidence Matrix.” Use the matrix to hyperlink documents and explain which of the four part tests the document satisfies
- In the end, you want SME submissions to include QRE wage percentages, allocations to projects, four part test responses, uploaded sample documents, and documentation mapping complete for each unique business component. Remember, Dan Mansfield reported during our January Roundtable that he collects between 20,000-30,000 of these a year. So it is possible to make this system work for you even after the virus is gone
- Finally, you need a tool to organize all your R&D information. We have created the MASSIE HTML Final Report Navigator as our offensive weapon to use with the IRS or state tax authorities. This tool organizes documents on screen like a website, allowing you to control an opening conference and dazzle the examiner with the level of information gathered to support your claim





IRS Update

- There was a MASSIE Alert issued in early March 2020 about the Siemer Milling case. See our website to download
- Now LB&I added R&D to their list of Campaigns
- Quoting Sun-Tzu in The Art of War, “If you know the enemy and know yourself, you need not fear the result of a hundred battles.” We used that theme to address what the IRS enemy was going to do marching forward
- We recommend you google “Exhibit C- Mandatory Research Credit Claims IDR” to get an idea of where they are headed
- To know yourself, hire MASSIE to do a Reverse Audit of your existing workpapers, calculations and documentation. We will do a virtual review of your information over a two or three week period and conduct a working session going over a customized SWOT analysis showing you areas of opportunity and things you need to work on in order that you don’t fear a hundred battles either



Recap

- Make every aspect of the project AS EASY AS POSSIBLE on all involved
- Leverage existing documentation and educate SMEs with Kick Off sessions, Placemat, Videos and Guidebooks
- Offer multiple ways to provide information: One Touch Tool, Real-time scheduling of video calls
- MASSIE working from home tips: Check out Zoom, Schedule Once, Brain.fm, Asana, and Sharefile (just some of the non-MASSIE tools we use)



R&D TAX CREDIT WEBINARS FOR TAX ORGANIZATIONS

Recent Speaking & Sponsorship Engagements:



MASSIE PROVIDES CPE ACCREDITED WEBINARS

MASSIE R&D Tax Credits would love to partner with your tax organization to deliver fresh and relevant tax content to your members in a fun and lively CPE accredited webinar. MASSIE has teamed up with Morgan Lewis and Duff & Phelps to offer a variety of content options.



Morgan Lewis

DUFF & PHELPS



JASON MASSIE
Founder and President
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PETER GREEN
CEO
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ALEX SADLER
Partner
Morgan Lewis



DOUG NORTON
Partner
Morgan Lewis



PATRICK MCCLOGAN
Managing Director, Transfer Pricing
Duff & Phelps



DAVID BALL
Managing Director
Duff & Phelps

"The MASSIE R&D Best Practice presentation is an entertaining and thought-provoking session that provides real value to tax professionals. I would recommend it for every TEI chapter".

Robert Howren
2017-2018 TEI
International President





WEBINAR CONTENT

MASSIE works with your team to plan the appropriate webinar length and content for your audience. Below are sample webinar topics.

1-HOUR

How To Handle Your R&D Tax Credit Remotely This Year

► **1 CPE CREDIT**

2-HOURS

R&D Tax Credit Best Practices

Transfer Pricing Considerations for Companies

► **2 CPE CREDITS**

4-HOURS

R&D Tax Credit Best Practices

Legal Updates and Tax Controversy

Valuation for Financial Reporting

Siemer Milling Case: The Art of War

► **4 CPE CREDITS**

FOR MORE INFORMATION

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