

# SOURCE ADVISORS: SPECIALIZED BUSINESS TAX CONSULTING

**Since 1983, clients have looked to Source Advisors for specialized tax solutions.**

Source Advisors has partnered with companies and CPA firms to help maximize government-sponsored tax credits, deductions, and incentives for nearly 40 years. Our nationwide team of experienced CPAs, attorneys, engineers, technology experts, and Big Four professionals help companies save money and create cash flow to stimulate businesses and drive overall growth while delivering superior service. We are experts in the legislation that governs these incentives and assist CPA firms, companies, and property owners navigate the laws that continue to evolve and change.

## RESEARCH & DEVELOPMENT TAX CREDIT

The R&D tax credit is a strategy that provides an immediate source of cash. Your company may qualify for the credit if you have invested time, money and resources toward developing new products, improving existing products, developing new materials, building and testing prototypes and models, developing new or improved software applications, testing new concepts, experimentation and more. The credit is not a deduction—it is an actual dollar-for-dollar credit against taxes owed or paid.

## COST SEGREGATION STUDIES

If you own or lease a building, cost segregation is a powerful strategy that uses a detailed engineering-based analysis to reduce federal taxes. Cost segregation provides accelerated depreciation benefits, improved cash flow and reduction of tax liability. Any building that has been constructed, acquired or renovated in the last 15 years, by a tax-paying company that does not show an operating loss or that will be profitable in the near future may qualify. For assets placed in service in the last few years, there may be special bonus depreciation for shorter life property.

## EPACT \$179D TAX DEDUCTION

The Energy-Efficient Commercial Building Tax Deduction applies to expenses incurred for energy-efficient construction or retrofit. If your company owns or leases commercial buildings, including certain residential buildings, you may be eligible to deduct part or all of the costs associated with the installation or retrofit. The deduction is available for new construction and existing buildings as well as for tenant-owned improvements and primary designers of government-owned buildings. It is specifically for lighting, HVAC and hot water systems, and building envelope and provides a deduction of up to \$1.88 per square foot for projects placed in service before 1/1/2023. Starting in 2023, the Inflation Reduction Act increased the tax deduction \$2.50-5.00 per square foot for qualifying properties and allows the designers of energy-efficient building owned by non-governmental, tax-exempt entities to qualify for the deduction.

## LIFO INVENTORY ACCOUNTING

For businesses that carry inventory of \$3 million or more, implementing the LIFO inventory method can generate much-needed cash. LIFO subtracts inflation from inventory costs, reducing ending inventory value, increasing cost of goods sold and decreasing taxable income. As the cost of acquiring or producing inventory grows in subsequent years, so too will the cash savings generated from LIFO.

## \$45L FEDERAL TAX CREDIT

The \$45L Federal Tax Credit is an energy-efficiency incentive for residential units that became effective 1/1/2006 with the passage of the Energy Policy Act (EPAct) and is the residential counterpart to §179D. It offers developers a means to offset the costs associated with building energy-efficient single family or multifamily properties. The \$2,000 credit provides a dollar-for-dollar offset against taxes owed or paid in the tax year in which the property is sold or leased. Taxpayers may amend the prior 3 tax years to claim credits. Unused general business credits are carried back one year and then carried forward for up to 20 years. The Inflation Reduction Act extended the 45L tax credit through 2032, and increased the tax deduction to \$2,500 or \$5,000 per dwelling unit for qualifying properties, which now use Energy Star certification.

## EMPLOYEE RETENTION CREDIT

This ERC is a refundable credit businesses can claim on qualified wages paid to employees during 2020 and 2021. The CARES Act introduced the ERC to encourage companies to retain employees and maintain payroll through the COVID pandemic. The ERC provides a tax credit of up to \$5,000 per employee for 2020 and up to \$21,000 per employee for 2021. Many employers, including not-for-profits, qualify for the ERC. Eligibility is determined on a quarter-by-quarter basis.

## STATE AND LOCAL TAX

Understanding your state and local taxes (SALT) is key to ensuring compliance and reducing costly penalties. Whether you're running an e-commerce business, expanding across state lines, or hiring remote employees, you need to be certain of your state and local tax obligations. Multi-state companies should be performing business nexus studies to determine what states they have to file sales and income tax returns. Companies that haven't complied the past need to understand the benefits of voluntary disclosure agreements and how they can mitigate your liability. Larger companies may have opportunities for savings through tax exemptions, credits, or deductions, thus reducing the overall tax burden.

