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January, 2007

Mr. A. Smith
ABC Smith Company

Dear Mr. Smith:

Why Should My Business Conduct An R&D Study Now?

The U.S. offers some of the world's richest R&D tax incentives, but chances are you're not taking advantage of them and getting the cash you deserve. As the pace of your business accelerates and competition increases, you may be more likely to overlook this source of cash because you lack the time, resources or expertise needed to identify and manage R&D tax credit claims.

Prior to December 2001, the requirements necessary to qualify for the R&D tax credit were rather difficult to obtain. However, in December 2001, the Bush administration issued IRS regulations which made it significantly easier to qualify for the R&D Tax Credit.

The new regulations are in harmony with the intent of Congress and are much more taxpayer friendly. They reflect a profound change in the position of the IRS. The new regulations make it:

1. Easier for a broader array of companies to qualify their activities as R&D
2. They provide greater flexibility in certain recordkeeping requirements
3. They significantly expand the definition of internal-use software characteristics

What Qualifies as R&D?

Many taxpayers tend to regard "R&D" as an activity associated solely with high-tech, biotech and pharmaceutical type companies. We have found many of our clients tend to regard their own efforts to make new, lighter, stronger, cheaper, more reliable products, or to make more precise, more economical and more versatile processes as "just doing my job," when in fact they have been performing R&D qualifying activities all along.

If your Company is involved in any of the following activities, you may be able to claim the R&D tax credit:

- Manufacture products;
- Develop new, improved, or more reliable products / processes / formulas;
- Develop prototypes or models (including computer generated models);
- Design tools, jigs, molds, and dies;



- Develop or apply for patents;
- Certification testing;
- Apply for patents;
- Tested new concepts;
- Development of new technology;
- Tried new materials;
- Added new equipment;
- Environmental testing;
- Develop or improve production / manufacturing processes;
- Develop, implement or upgrade systems and / or software;
- Develop production control software;
- Improve or build new manufacturing facilities;
- Automate internal processes;
- Pay outside consultants / contractors to do any of the above stated activities.

Please call me to schedule an in-depth review to determine whether your company has R&D qualifying activities , and how you might use the above rules to your advantage—or to discuss any other aspect of your business.

Piascik & Associates, P.C., provides premier tax, business, and financial services to a broad range of clients throughout the United States, Canada, UK, Germany and abroad. For more information, please visit www.piascik.com or call Ryan L. Losi directly at (804) 228-4179.

Very truly yours,
PIASCIK & ASSOCIATES, P.C.

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