Mastering Research and Development Tax Credits

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Tax-savvy companies are filing federal and state tax claims to receive tax credits for their research and development efforts. The reduction in income taxes, enhanced cash flows and improved earnings help produce better financial results while also allowing companies to offset their R&D expenses to get ahead of the competition. However, identifying the appropriate credits and proving eligibility can be an onerous and time-consuming task for tax departments.

To make it easier for companies to identify and claim R&D tax credits, KPMG partnered with IBM to create the first Watson™ artificial-intelligence-powered solution. KPMG’s tax specialists infused years of experience and industry specific insights to train Watson. To date, tens of thousands of documents have been reviewed by KPMG’s Research Credit Services specialists and Watson, and you can be confident that their combined solution will provide a robust and accurate output.

The power of Watson & KPMG
KPMG’s Research Credit Services team uploads contemporaneous technical R&D documentation in various file formats, and Watson identifies tax credit eligibility attributes. Equipped with the AI-reviewed information, KPMG tax specialists focus on the right areas to drive further value through efficiently identified credits and more robust documentation for their clients.

Without this solution, companies would spend hundreds of personnel hours combing through reams of documents to find eligible projects, to establish proof those projects meet the necessary eligibility requirements and to gather the materials needed to substantiate tax credits. The distraction of supplying and reviewing technical documents also means taking vital time away from R&D personnel, decreasing their productivity.

Companies can tap into the latest technology to increase the speed, volume and success in capturing R&D tax credits.
Help your team focus on what’s important

KPMG’s Research Credit Services with Watson automatically reviews the documents, analyzing their contents against nearly 40 years of tax rules and identifying relevant R&D attributes that are reviewed by KPMG’s tax professionals. By focusing on existing contemporaneous documentation and using advanced technology to automatically extract facts, KPMG’s solution can reduce time-consuming tasks for your business, minimize the requests for documentation and shorten in-depth technical discussions with your engineers so they can stay focused on their research and development activities. What’s more, with this cognitive solution, a larger volume of documents can be reviewed, which means greater potential to uncover additional R&D activities and expenses that qualify for credit.

From 2018 to 2027, the estimated value of R&D tax credits to be claimed by US companies is $163 billion, with $148 billion of that going to corporations.¹ Interestingly, many companies are not even aware they are performing qualified research activities. Whether you are curious if your activities qualify for the credit or are already filing R&D tax credits, KPMG Research Credit Services with Watson is a game changer.

**Conclusion**

Your company may have an opportunity to take advantage of R&D tax credits, and doing so doesn’t have to be a time-consuming and cumbersome process. The tax knowledge of KPMG specialists combined with AI advanced technology offers companies a powerful solution in identifying, documenting and sustaining R&D tax credits. Together, KPMG and IBM Watson help to increase your confidence in the documentation behind your R&D credit claim and increase the speed and ROI in your R&D tax credit process.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.