

# R&D Tax Credits Case Studies: Chemicals

The following are two chemical company case studies which further illustrate the types of projects and activities that will potentially qualify for the R&D tax credit. The eligibility of specific activities and expenditures will depend upon a closer examination of the facts and circumstances in relation to applicable guidance.

## New Product and Process Developments

Company developed a surfactant which it did not produce previously. It was uncertain at the start of the project whether the color specified for this product could be met using the company's production processes. To achieve accurate color and activity on the intermediate, a good vacuum is required on the reactor to remove excess of a feedstock compound. If any air is sucked into the batch during the feedstock compound's removal, the color will darken rapidly. If too much feedstock compound is used, the removal step, and therefore the overall processing time, is increased. Therefore, a balance between product purity and processing time had to be discovered. Substantially all of the activities involved in this project were technological in nature and relied on chemistry. The development involved substantial laboratory work in order to develop the compound and prototyping to optimize the production process. After extensive analysis of the expenditures and activities involved in this project, it was determined to qualify for purposes of the R&D tax credit.

## New Product Development

Company undertook a project to expand on the range and scope of a catalyst family by synthesizing four new compounds. One of the starting materials for the compounds was difficult to manufacture through a reaction. The reaction was difficult to control and gave low yields of production with questionable purity. This led the chemists to examine whether the new compounds could be made from a more stable starting material with higher yield. New methods were developed to make these compounds in higher yields with greater stability. Substantially all of the activities involved in this project were technological in nature and relied on chemical approaches. After extensive analysis of the expenditures and activities involved in this project, it was determined to qualify for purposes of the R&D tax credit.



**Anchin, Block & Anchin LLP**  
**Accountants and Advisors**  
**1375 Broadway, New York, NY 10018**  
**212.840.3456 • www.anchin.com**

**Yair Holtzman, CPA, MBA, MS**  
Partner and Practice Leader  
yair.holtzman@anchin.com

