

R&D TAX CREDITS: CANNABIS & CBD INDUSTRY



GET TAX CREDITS FOR YOUR RESEARCH

Refunds are available for companies performing research within the Cannabis & CBD Industry. The research credit provides dollar-for-dollar cash savings each year for companies performing activities related to the development of new or improved products and processes. These benefits could provide much needed cash to hire additional employees, increase R&D, expand production facilities, etc.



Many companies involved with cannabis and CBD are unaware that their efforts within designing and developing their products can yield a large amount of research credits. Examples of R&D activities related to the industry as well as potentially qualifying job titles are listed below.

EXAMPLES OF QUALIFYING R&D ACTIVITIES

- Design, manufacture, innovation, and automation of cultivation, curing, extraction, and distillation equipment
- Experimentation with alternative growing techniques, strain development, lighting, and packaging methodologies
- Optimization of crop yield through energy efficiencies, climate-control, lighting and air sanitization processes/systems
- Research and testing related to medical/therapeutic use of cannabis-based treatments/products
- Software/hardware/mobile application development related to seed-to-sale technology, inventory & cash management, compliance

POTENTIALLY QUALIFYING R&D JOB TITLES

- Agronomists
- Botanists
- Chemists
- Engineers
- Grow Consultants
- Horticulturists
- Master Grower
- Master Extractors
- Manufacturing Engineers
- Pharmacology
- Scientists
- Software Developers
- Technologists

AMT OFFSET

For tax years beginning after December 31, 2015, eligible small businesses (those with \$50 million or less of gross receipts) may claim the research credit against AMT liability.

UP TO \$500,000 IN PAYROLL TAX

Qualified start-up companies may elect to use up to \$500,000 of the research credit against payroll taxes. Treasury Regulations have substantially broadened the range of taxpayers who are eligible for the credit. Start-ups to publicly traded businesses who were previously unable to realize a benefit from this lucrative tax credit should reassess their eligibility.

The legislative changes discussed above did not amend IRS section 280E, which among other things disallows any tax credits to any business trafficking in cannabis. The legislative changes discussed above, therefore, apply only (1) to R&D conducted by businesses that do not traffic in cannabis, and (2) to R&D conducted in a trade or business that is a separate trade or business from the cannabis trafficking business, if in fact a business that traffics in cannabis also has a second trade or business. This material has been prepared for informational purposes only and is not intended to provide, and should not be relied on for, tax, legal or accounting advice.

ABOUT KBKG

KBKG is a national firm specializing in R&D Tax Credits, Cost Segregation, 45L Tax Credits, 179D Tax Deductions, Transfer Pricing, and other specialty tax incentives. Our engineers and tax experts have performed thousands of tax projects for clients, saving them hundreds of millions of dollars since 1999. As leading educators in our field, we have been invited to speak to thousands of CPAs and tax professionals by the most prominent associations in the industry.

GET MORE INFORMATION

KBKG can quickly review your situation to determine if there is an opportunity. To see if you qualify, call us today or visit our website at KBKG.com/qualify for more information.

CASE STUDY

DEVELOPER OF CANNABIS AND CBD PRODUCTS AND PROCESSES

Annual Revenue: \$5.5 Million

RESULTS:

\$200,000

In Federal & State R&D Tax Credits