The R&D; Tax Credit Is Not Just for Tech Companies.
Here Is Who Actually Qualifies.

By Timothy C. Franklin · May 12, 2026 · 8 min read

The Assumption That Is Costing You Money

When most business owners hear R&D; tax credit, they picture a startup burning through venture capital. They do not picture themselves. That assumption is one of the most expensive mistakes in the American tax code. Because the R&D; tax credit was designed for any business trying to solve a problem it has not solved before.

What the R&D; Tax Credit Actually Is

The Research and Development tax credit lives in Section 41 of the Internal Revenue Code, part of the federal tax system since 1981. Congress created it to incentivize American businesses to develop new products, improve existing processes, and figure out things that have not been figured out yet.

It is not a deduction. A deduction reduces your taxable income: at 37%, a $10,000 deduction saves you $3,700. A credit reduces your actual tax bill, dollar for dollar. A $10,000 credit saves you $10,000.

Tax Deduction	Tax Credit
$3,700 saved on a $10,000 deduction at 37% rate	$10,000 saved — dollar for dollar off your actual tax bill

For qualifying businesses this credit can be worth hundreds of thousands annually. And it can be claimed retroactively: if you have done qualifying work for three years without filing, those years are not lost.

The Four-Part Test

The IRS uses four criteria to determine whether activities qualify. The test catches far more businesses than most people expect.

Part 01: Permitted Purpose

Activity must be aimed at developing or improving a product, process, software, technique, formula, or invention. Internal tools and processes count.

Part 02: Technological in Nature

Work must rely on principles of engineering, physical science, biological science, or computer science. You need a methodology, not a lab.

Part 03: Elimination of Uncertainty

There must be a genuine question at the start about whether the design would work or the approach would succeed.

Part 04: Process of Experimentation

You evaluated alternatives. You tested. You iterated. You figured something out through a process, not just implemented something off a shelf.

None of those four criteria say anything about technology companies or patents or scientific breakthroughs. They say: did you try to improve something, and did you have to figure it out along the way?

Who Actually Qualifies

Industries that regularly qualify:

• Manufacturers

• Breweries and Distilleries

• Contractors and Builders

• Agriculture and Food Producers

• Engineering Firms

• Architecture Firms

- Life Sciences and Medical
- Aerospace and Defense
- Software Development
- Real estate companies building better internal systems

> *The question is not whether you do research and development. The question is whether you recognize it when you are doing it.*

What Expenses Actually Count

The credit is based on Qualified Research Expenses in three categories: wages for any employee who spends time on qualifying research; supplies consumed during the research process; and 65% of what you pay outside contractors for qualifying work.

The credit is typically 20% of qualified expenses above a base amount. Under the Alternative Simplified Credit, it is 14% of expenses exceeding 50% of the average qualified spending over the prior three years.

Approximately $15 billion in R&D; tax credits are claimed in the US every year. Experts estimate another $7 to $10 billion in legitimate credits go unclaimed annually — left on the table by businesses that qualified and never filed.

Why Your CPA Has Not Brought This Up

Your CPA is not holding out on you. The R&D; tax credit requires a specialized study, detailed documentation of qualifying activities, and a level of analysis beyond standard tax preparation. This credit is opt-in. If you do not file for it, you do not get it.

We work alongside your existing CPA. We do the study, document the qualifying activities, and prepare the credit claim. Your CPA files it. The businesses that go through the process are glad they did. Every single time.

IRS OFFICIAL REFERENCE

IRS Research and Development Tax Credit (IRS.gov)

Official IRS guidance on the Section 41 R&D; tax credit, qualifying activities, and documentation requirements.

Find Out If You Qualify

We will look at what your business does and whether your activities pass the four-part test. If they do not, we tell you. Most R&D; clients are surprised by how much is on the table once we start looking.

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