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Top 10 Financial Planning Tips for Manufacturers

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Top 10 Financial Planning Tips for Manufacturers

#1 – Review Insurance and Banking Needs

- **Insurance**
  - Review coverage limits – changes in operations/revenue/payroll
  - Ensure new large equipment is covered
  - Cyber and fraud insurance coverage
    - Review internal procedures and policies
  - Life insurance policies
  - Consider product liability, business interruption, and supply chain risk insurance

#1 – Review Insurance and Banking Needs– (cont'd)

- **Banking**
  - Review banking relationships
  - Line-of-credit availability
  - Positive pay and other fraud protections
  - Explore cash management services offered; Automated Clearing House (ACH) payments and remote deposit
  - Interest rate management; consider strategies to manage interest rate risks (Ex: refinancing options)

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit

- **What is the R&D Tax Credit?**
    - The R&D Tax Credit is a government incentive designed to reward companies for investing in innovation;
    - The credit was born in 1981 and became a permanent part of the Federal tax code in 2015 due to its success in stimulating job creation and helping to grow the U.S. as an economic leader; and
    - The rules for the R&D tax credit can be found in Internal Revenue Code (IRC) Section 41 and related regulations. The credit applies to any taxpayer that incurs expenses for performing Qualified Research Activities (QRAs).

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit – (cont'd)

- **<u>What are the Benefits of the R&D Tax Credit</u>?**
  - Some of the potential benefits to realizing the R&D tax credit include:
    - Up to 12-16 cents of R&D tax credit for every qualified dollar spent;
    - Dollar-for-dollar reduction in your federal and state income tax liability
    - Reduction of your effective tax rate
    - Improved cash flow; and
    - Credit carried forward up to 20 years

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit – (cont'd)

- **Does your Company Qualify?**

To qualify for the credit, you must meet the following four-part test:

1) **Elimination of Uncertainty** - The activity is performed to eliminate technical uncertainty about the development or improvement of a product or process, which includes computer software, techniques, formulas and inventions; and

2) **Process of Experimentation -** The activities include some process of experimentation undertaken to eliminate or resolve a technical uncertainty. This process involves an evaluation of alternative solutions or approaches and is performed through modeling, simulation, systematic trial and error or other methods.

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit – (cont'd)

- **Does your Company Qualify? (cont'd)**

  To qualify for the credit, you must meet the following 4-part test:

  3) **Technological in Nature** - The process of experimentation relies on the hard sciences, such as engineering, physics, chemistry, biology or computer science; and

  4) **Permitted Purpose** - The purpose of the activity is to create a new or improved product or process (computer software included) that results in increased performance, function, reliability or quality.

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit – (cont'd)

- What are Some Qualifying Activities for Manufacturers?
  - Developing new or improved products, processes or formulas;
  - Developing prototypes or models;
  - Developing or applying for patents;
  - Certification testing;
  - Developing new technology;
  - Environmental testing;
  - Developing or improving software technologies;
  - Building or improving manufacturing facilities; and
  - Streamlining internal processes.

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit – (cont'd)

- **What are Some Excluded Activities for Manufacturers?**
  - Research conducted outside the U.S.;
  - Adaptation or duplication of existing business components;
  - Market research, testing or development (including advertising or promotions);
  - Routine data collection;
  - Routine or ordinary testing or inspection for quality control;
  - Surveys, studies, activity relating to management function, market research or routine testing/quality control;
  - Research related to social sciences, arts or humanities; and
  - Research funded by any grant, contract or otherwise by another person (or governmental entity).

#2 – Take Advantage of the Federal Research and Development (R&D) Tax Credit – (cont'd)

- **What Expenses Can be Claimed (Qualified Research Expenses)?**
  - Wages paid to employees for qualified services (100% of costs incurred);
  - Supplies used and consumed in the R&D process (100% of costs incurred);
  - Contract research expenses paid to a third party for performing QRAs on behalf of the taxpayer, regardless of the success of the research, allowed at 65% of the actual cost incurred; and
  - Basic research payments made to qualified non-profit organizations and institutions. Basic research refers to fundamental research that focuses on evaluating theories and hypotheses, regardless of an application. Basic research payments are included at 75% of the actual expense.

#2 – Federal R&D Tax Credit –Amortization of R&D Costs

- Companies are **<u>required</u>** to amortize their R&D costs over five years, starting with the midpoint of the taxable year in which the expense occurs. For R&D activities conducted outside of the U.S., the amortization period is increased to 15 years; and
- This treatment of R&D expenses may significantly reduce the immediate tax benefit for R&D activities in future years.

#2 – Federal R&D Tax Credit –2024 & Future Considerations

- For tax years beginning after 2022, the maximum amount of payroll tax research credit a small business can apply against payroll tax liability increased from $250,000 to $500,000.
- Newly revised drafts of the R&D tax credit form require additional qualitative and quantitative information regarding the company itself and each business component generating the credit. Some questions asked may lead to increased scrutiny from the IRS.
- Much of the newly required information should already be contemporaneously documented by businesses.

#2 – Federal R&D Tax Credit – Capitalization Example

- Previously, a corporate taxpayer could expense $100,000 of qualified R&D expenses. The taxpayer would obtain a reduced R&D tax credit of approximately $5,530 (under the alternative simplified method) plus income tax savings of $21,000 ($100,000 x 21% tax rate) for a total tax savings of $26,530; however
- The same $100,000 spent in 2024 and future years may only yield an annual tax savings of $7,630. The same $5,530 R&D tax credit, plus $2,100 in tax savings ($100,000 amortized over 60 months starting at the midpoint of the year x 21%).

#2 – Federal R&D Tax Credit – Insight into Future Legislation

- **Will these provisions be ratified or amended by Congress? Will there be a "small business exception?" The answer is, "maybe."**
- Small businesses can opt out of reporting certain information on the newly revised draft of the R&D tax credit form for tax year 2024.
- There is optimism among the technology and manufacturing communities that Congress will create a workaround to eliminate or significantly modify the capitalization rules, but, as of today, all we have is uncertainty.

#3 – Inventory

- **Physical Inventory Counting**
  - Schedule and coordinate team, ensure collaboration between departments
  - Review policies and procedures, cycle counting considerations
  - Beyond the count – investigate discrepancies
  - Explore new technologies that provide the most accurate real-time inventory levels (Ex: RFID technology, inventory management software)

#3 – Inventory (cont'd)

- **Inventory Management**
  - Review for old or obsolete inventory
  - Demand forecasting
  - Just-in-time inventory
  - Supply chain
    - Meeting with suppliers
    - Review satisfaction
    - Quality/speed

#4 – Take Advantage of the Federal Work Opportunity Tax Credit (WOTC)

- **What is the Work Opportunity Tax Credit?**
  - The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to employers who invest in American job seekers who have consistently faced barriers to employment;
  - The Consolidated Appropriations Act (CAA) of 2021 extended the WOTC until December 31, 2025; and
  - The WOTC is the most often overlooked credit in the manufacturing arena.

#4 – Take Advantage of the Federal Work Opportunity Tax Credit (WOTC) – (cont'd)

- <u>How is the WOTC Computed</u>?
  - A credit for employers who hire and pay wages to individuals who are certified by a local agency as being a member of <u>one of 10 targeted groups</u>, in their first year or second year of employment, after performing at least 120 hours of service;
  - The credit is equal to 40% of up to $6,000 of qualified wages ($2,400) or 25% of up to $6,000 ($1,500) for individuals who perform fewer than 400 hours but at least 120 hours;
  - For certain qualified veterans, up to $24,000 in wages may be used ($9,600 maximum credit); and
  - Wages for the WOTC can't be used to figure other Federal tax credits (i.e., R&D).

#4 – Take Advantage of the Federal Work Opportunity Tax Credit (WOTC) – (cont'd)

- **<u>Who Meets the Definition of a Member of a "Targeted Group"</u>?**
  - Qualified IV-A recipient (Temporary Assistance for Needy Families (TANF);
  - Qualified veteran;
  - Ex-felon;
  - Designated community resident (empowerment zone or renewal county);
  - Vocational rehabilitation referral;
  - Summer youth employee;
  - SNAP recipient (formally the Food Stamps Program);
  - SSI recipient;
  - Long-term family assistance recipient; and
  - Qualified long-term unemployment recipient.

#4 – Federal Work Opportunity Tax Credit (WOTC) – Steps for Employers

- **What Are the Steps to Claim the WOTC?**

1. All new hires should fill out IRS Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity Credit,* page 1, on or before the day the job offer is made;
2. The employer should subsequently fill out page 2 of the form and submit it to the State Workforce Agency (SWA) for the state in which the company is operating. This must be done within 28 days after the eligible worker begins work. See the following link for contacts:

   https://www.dol.gov/agencies/eta/wotc/contact/state-workforce-agencies;
3. Once certified by the SWA, the employee is considered a **qualified** employee;
4. At year-end, determine the wages of the qualified employees and the number of hours worked for the year; and
5. IRS Form 5884, *Work Opportunity Credit,* should be completed and filed out with your tax return. (Note: The deduction for wages must be reduced by the amount of the credit and recorded as a permanent book-tax difference on IRS Schedule M-1 or IRS Schedule M-3).

#4 – Federal Work Opportunity Tax Credit (WOTC) – Example

- For the current year, the company hired the following qualified and certified employees:
  - Susan –

    Qualified Veteran with service-connected disability and unemployed for at least six months in the prior one-year period

    $27,000 & 1,800 hours
  - Jim –

    Qualified veteran unemployed for at least four weeks, but not less than six months in the prior one-year period

    $25,000 & 1,600 hours
  - Dave –

    SNAP Recipient

    $3,000 & 200 hours

	Wages	Hours	Eligible Credit Wages
Susan	27,000	1,800	24,000
Jim	25,000	1,600	6,000
Dave	3,000	200	3,000
	55,000		33,000

	Eligible Credit Wages	%	Credit Amount
25% Category	3,000	25%	750
40% Category	30,000	40%	12,000
	33,000		**12,750**
			Total Credit

#5 – Evaluate your Strategic Plan/Budget Process

- Develop business goals (strategic planning)
    - Gather market research data to identify trends and customer preferences
    - Evaluate potential risks and uncertainties that could disrupt normal operations
- Quantify the financial impact of those goals (budgeting)
    - Use market research data to develop revenue forecasts, regularly review and adjust to reflect market changes

#5 – Evaluate your Strategic Plan/Budget Process – cont.

- Obtain commitment to achieve the goals (individual performance planning)
    - Define key performance indicators (KPIs) for tracking progress
- Evaluate the success or failure of plan attainment (plan review)
    - Include stakeholders in plan reviews to ensure alignment of business objectives
    - Adapt strategies to market changes/business objectives
    - Conduct variance analysis to compare actual financial performance against budget

#5 – Evaluate your Strategic Plan/Budget Process – cont.

- The operating budget is an integral part of the business planning process.
- Once a company defines its goals and objectives and the means for achieving them, the budget simply translates the strategic plan into numbers against which a company's future performance can be measured.
- Essentially, if a budgeted expenditure cannot be linked to a business strategy, the funds should not be spent.
- Remember that effective budgeting is part of a continuous planning process, not a once a year exercise.

#6 – Take Advantage of the New York State (and other states) Pass-Through Entity Tax Programs (PTET)

- On August 25, 2021, the New York State Department of Taxation and Finance released guidance (Technical Memorandum, TSB-M-21(1)C, (1)I) addressing a recently enacted optional pass-through entity tax (PTET) that partnerships and New York S corporations may elect to pay for tax years beginning on or after January 1, 2021; and
- Entities that elect to be subject to the PTET will pay a graduated tax of up to 10.9% on their NYS taxable income at the entity level, while their individual partners, members and shareholders will receive a refundable tax credit equal to the pro-rata share of taxes paid by the electing entity.

#6 - Take Advantage of the New York State (and other states) Pass-Through Entity Tax Programs (PTET)

Tax Rate Schedule:

Calculating the PTET due	
If the PTE taxable income is:	then the PTET due is:
$2 million or less	6.85% of PTE taxable income.
greater than $2 million but less than or equal to $5 million	$137,000 plus 9.65% of the excess of PTE taxable income greater than $2 million.
greater than $5 million but less than or equal to $25 million	$426,500 plus 10.30% of the excess of PTE taxable income greater than $5 million.
greater than $25 million	$2,486,500 plus 10.90% of the excess of PTE taxable income greater than $25 million.

#6 - Take Advantage of the New York State (and other states) Pass-Through Entity Tax Programs (PTET)

Why would Taxpayers want to elect to pay a pass-through entity tax?

- The PTET is intended to provide a workaround to the Federal State and Local Tax (SALT) cap that was enacted with the Tax Cuts and Jobs Act (TCJA) of 2017. The TCJA limited deductions for state and local income taxes to $10,000, thus eliminating the deduction for state income taxes for the vast majority of manufacturers; and
- The PTET will now effectively allow pass-through manufacturers to take a Federal income tax deduction for their state income taxes, which they were previously disallowed from taking.

#6 - New York State PTET – Who Qualifies?

Eligible partnership: Any partnership (including a limited liability company [LLC], treated as a partnership for Federal income tax purposes) that has a filing requirement under Tax Law §658(c)(1) and is not a publicly traded partnership. A partnership is eligible to make the election, even if it has partners that are not eligible for the PTET credit, including, but not limited to, corporate partners; and

Eligible S corporation: Any New York S corporation (including an LLC treated as an S corporation for New York and federal income tax purposes) as defined by Tax Law §208.1-A that is subject to the fixed dollar minimum tax under Tax Law §209.

#6 - New York State PTET – Who Does Not Qualify?

C Corporations: Not eligible. Not a pass-through entity and are already allowed to deduct state income taxes at the Federal level;

Important Caveat: While Partnerships and New York S Corporations qualify to make the election, they cannot pass-through the PTET credit to certain partners/members/shareholders. These include:

S Corporation partners of a partnership;

C Corporation partners of a partnership; and

Certain non-grantor style trusts.

#6 - New York State PTET – Making the Election

- An eligible entity must elect to opt <u>into</u> the PTET online on an annual basis, and such election is <u>irrevocable</u> for the tax year it is made. The election must be made by an authorized person of the organization, which includes any member, partner, owner or other individual with authority to bind the entity and sign tax returns. CPAs are not considered an authorized person and, therefore, cannot make the election on the client's behalf; and

2024 Election and Future Years: Must be made on or before March 15, 2024.

#6 - New York State PTET – Estimated Tax Payments and Annual Returns

2024 and Future Estimated Tax Payments: Estimated tax payments must be made on a quarterly basis (due March 15, June 15, September 15 and December 15). Each payment should be equal to 25% of the required annual payment for the taxable year, which is the lesser of: (1) 90% of the current year tax; or (2) 100% of the prior year tax;

Annual PTET Returns: Electing entities **must** file an annual PTET return on or before March 15th of the following year. There is a 6-month extension of time, if needed; and

What if my PTET computes to a loss? The electing entity is still required to file a "no balance due" PTET return.

#6 - New York State PTET – Claiming the Credit

Eligible taxpayers must claim their PTET credit on IRS Form IT-653, *Pass-Through Entity Tax Credit*, and attach the form to their individual New York State income tax return. The PTET credit may not be claimed on group returns filed for nonresident partners (i.e., IRS Form IT-203-GR, *Group Return for Nonresident Partners*) or nonresident shareholders of S corporations (i.e., IRS Form IT-203-S, *Non-Resident and Part-Year Resident Income Tax Return*). **Taxpayers with PTET credits exceeding the tax due for the year may get the excess credit refunded.**

#6 - NYS PTET – Example – S-Corporations

ABC Corporation has three owners		
Federal Taxable income is 1.2 million		
Ownership percentages are as follows:		
A	40%	
B	35%	
C	25%	
Total	100%	

	Step 1.	Net PTET Income		1,200,000	
	Step 2.	Net PTET Income		1,200,000	
		Apportionment %		100%	
		PTET Income		1,200,000	
	Step 3.	PTET Income		1,200,000	
		Tax		6.85%	
				82,200	
	Step 4.		Ownership	Total Credit	Allocated Credit
		A	40%	82,200	32,880
		B	35%	82,200	28,770
		C	25%	82,200	20,550

•Note: The shareholders receive a combined Federal income tax deduction of $82,200. Assuming they are in the 32% tax bracket, they would recognize Federal income tax savings of approximately $26,000.

#6 - Pass-Through Entity Tax – Other State Considerations

New York State is not the only state implementing a pass-through entity level tax to circumvent the SALT cap. The following three slides show the other states that are implementing similar taxes for 2022 and future years; and

If you are doing business in a multi-state environment, you may want to consider elections in the following states, as well as New York State.

#6 - Other States Currently with PTE Taxes

- Alabama – Elective PTE Tax effective 1/1/2021
- Arizona – Elective PTE Tax effective 1/1/2022
- Arkansas – Elective PTE Tax effective 1/1/2022
- Connecticut – Mandatory PTE Tax effective 1/1/2018, Elective starting 2024
- California – Elective PTE Tax effective 1/1/2021
- Colorado – Elective PTE Tax effective 1/1/2022
- Georgia – Elective PTE Tax effective 1/1/2022
- Hawaii – Elective PTE Tax effective 1/1/2023
- Mississippi – Elective PTE Tax effective 1/1/2022
- Ohio – Elective PTE Tax effective 1/1/2022
- West Virginia – Elective PTE Tax effective 1/1/2022

#6 - Other States Currently with PTE Taxes

- Virginia – Elective PTE Tax effective 1/1/2021
- Iowa – Elective PTE Tax effective 1/1/2022
- Idaho – Elective PTE Tax effective 1/1/2021
- Illinois – Elective PTE Tax effective 1/1/2021
- Indiana – Elective PTE Tax effective 1/1/2022
- Kansas – Elective PTE Tax effective 1/1/2022
- Kentucky – Elective PTE Tax effective 1/1/2022
- Louisiana – Elective PTE Tax effective 1/1/2019
- Maryland – Elective PTE Tax effective 1/1/2020
- Massachusetts – Elective PTE Tax effective 1/1/2021
- Minnesota – Elective PTE Tax effective 1/1/2021
- New Jersey – Elective PTE Tax effective 1/1/2020

#6 - Other States Currently with PTE Taxes

- Oklahoma – Elective PTE Tax effective 1/1/2019
- Oregon – Elective PTE Tax effective 1/1/2021
- Rhode Island – Elective PTE Tax effective 1/1/2019
- South Carolina – Elective PTE Tax effective 1/1/2020
- Wisconsin – Elective PTE Tax effective 1/1/2019
- Montana – Elective PTE Tax effective 1/1/2023
- Utah – Elective PTE Tax effective 1/1/2022
- Michigan – Elective PTE Tax effective 1/1/2021
- New Mexico – Elective PTE Tax effective 1/1/2022
- Missouri – Elective PTE Tax effective 1/1/2022
- Nebraska – Elective PTE Tax effective 1/1/2018
- North Carolina – Elective PTE Tax effective 1/1/2022

#7 – Pricing of Products/Customer Profitability Analysis

- <u>**Analyze Pricing of Products**</u>
  - Knowing your cost
    - Value-based pricing/price elasticity analysis
    - Detailed cost analysis/cost driver identification
  - Understanding competitors
    - Benchmark against competitors to compare pricing strategies and product offerings
    - Implement promotional pricing strategies to stimulate demand
  - Customer value
    - Customer needs assessment
    - Customer acquisition cost vs. lifetime value

#7 – Pricing of Products/Customer Profitability Analysis – cont'd

- **Perform Customer Profitability Analysis**
  - Biggest/Smallest Customers
    - Profitability metrics (Ex: contribution margin, gross margin per customer)
    - Focus resources on high-profitability customer segments
  - Overhead associated with customers or segments
    - Understanding these costs allows for an accurate determination of COGS
    - Customer segmentation
  - Customer behavior/purchase patterns
    - Market research can provide insight to adapt pricing strategies
  - Balance flexibility in pricing decisions with profitability targets
  - Nurture/Develop/Fire Customers

#8 – Take Advantage of the New York State Credits & Incentives Available to Manufacturers

Are You Taking Advantage of all Credits and Incentives Currently Available to Manufacturers in New York State?

- Investment Tax Credit (ITC);
- Employment Incentive Credit (EIC); and
- Real Property Tax Credit for Manufacturers

#8 – Take Advantage of the New York State Credits & Incentives Available to Manufacturers – Investment Tax Credit

What is the New York State Investment Tax Credit?

- Essentially, a 4% tax credit (sometimes more) on all "qualified property" placed into service during the tax year;
- "Qualified Property" which utilized accelerated depreciation under Code Section 179 is not eligible; and
- *Planning point: Utilize Code Section 168(k), "bonus depreciation", on all "qualified property." This allows the Taxpayer to still write-off a significant portion of the cost of the property in year one AND allows them to still take the ITC.*

#8 – Take Advantage of the New York State Credits & Incentives Available to Manufacturers – Investment Tax Credit

What is "Qualified Property" for the ITC?

- "Qualified Property" is tangible property, including building & structural components of buildings, that:
  - Was acquired, constructed, reconstructed or erected by the Taxpayer after December 31, 1968;
  - Is depreciable under IRC Section 167 or 168
  - Has a useful life of four years or more;
  - Was acquired by purchase under IRC 179(d); and
  - Is located in New York State and is principally (50% or greater use) used by the Taxpayer in producing goods by manufacturing, processing, assembling, refining, mining, extracting and certain other activities.

#8 – Take Advantage of the New York State Credits & Incentives Available to Manufacturers – Employment Incentive Credit

What is the New York State Employee Incentive Credit?

- Essentially, a 1.5% - 2.5% credit based on increased employment numbers in the current year vs. base years;
- If employment levels in the current year increase as compared to the base year, the Taxpayer receives a credit of 1.5% - 2.5% of their ITC base (cost of ITC property) in a certain year; and
- Let's look at an example:

#8 – Take Advantage of the New York State Credits & Incentives Available to Manufacturers – EIC Example

Schedule B - Eligibility for employment incentive credit *(see example in Form CT-46-I,* Schedules B and C - Examples)

A. Use with Schedule C, line 26, first succeeding year	A Year	B March 31	C June 30	D September 30	E December 31	F Total (B+C+D+E)	G Average	H* Percent %
22 Number of New York State employees in employment base year	2019	164	158	150	140	612	153	
23 Number of New York State employees in current tax year	2021	156	155	156	161	628	157	103
B. Use with Schedule C, line 27, second succeeding year	Year	March 31	June 30	September 30	December 31	Total (B+C+D+E)	Average	Percent %
24 Number of New York State employees in employment base year	2018	153	152	159	166	630	158	
25 Number of New York State employees in current tax year	2021	156	155	156	161	628	157	99

*Divide the average number of employees in the current tax year by the average number of employees in the base year (column G).

Schedule C - Employment incentive credit computation *(see example in Form CT-46-I,* Schedules B and C - Examples)

	A Tax year in which investment tax credit was allowed	B Amount of investment credit base upon which original investment tax credit was allowed (excluding R&D property at optional rate)	C Employment incentive credit *(multiply column B by the appropriate rate from* Rate schedule 2 *in Form CT-46-I)*
26 Information for first succeeding year: use line 23, column H, to determine rate	2020	529,683.	13,242.
27 Information for second succeeding year: use line 25, column H, to determine rate	2019	1,879,606.	
28 Add column C amounts *(enter here and on line 4)*			28 13,242.

#8 – Take Advantage of the New York State Credits & Incentives Available to Manufacturers – Real Property Tax Credit

What is the NYS Real Property Tax Credit for Manufacturers?

- 20% credit on the real property taxes paid by an "eligible New York manufacturer" during the taxable year.

What is an "eligible New York Manufacturer"?

- Taxpayer subject to tax under Tax Law Article 9-A or 22;
- Who meets the definition of qualified NY manufacturer (principally (50% or more) engaged in production of goods, processing, assembling, etc., and
- Paid real property taxes on property in NYS that is owned or leased by the Taxpayer.
  - *Caveat – related party leases DO NOT qualify!*

#9 – Enhance Financial Statement Analysis

- **Reporting out of accounting software**
  - Detailed balance sheet and income statement
  - Cash flow statement can provide insight into sources and uses of cash during the period
  - Segment reporting by division/location/product lines
- **Fluctuation Analysis**
  - Income statements should present both current month and year-to-date amounts, as well as comparisons to prior years
  - COGS analysis can identify fluctuations in direct costs for production (Ex: raw materials, labor)

#9 – Enhance Financial Statement Analysis – cont'd

- **<u>Key Ratio Analysis</u>**
  - Insights into the business
  - Compare key ratios against industry/budgeted benchmarks to evaluate performance (Ex: current ratio, quick ratio, gross/net profit)
- **<u>Budget to Actual Comparison</u>**
  - Assesses the accuracy of financial forecasts and projections
  - Shows variances between budgeted and actual performance for the period
  - Facilitates effective cost control measures for areas where expenses are higher than expected

#10– Take Advantage of the New York State Excelsior Jobs Program

Are You Growing Jobs or Making Significant Capital Improvements in New York State?

- The Excelsior Jobs Program encourages manufacturers to expand in and relocate to New York State by offering an array of credits through NYS Empire State Development;
- Credits are fully refundable and are paid over a benefit period of 10 years;
- Credits available include:
  - Excelsior Jobs Tax Credit (creating at least 5 net new jobs);
  - Excelsior Investment Tax Credit;
  - Excelsior Research & Development Tax Credit; and
  - Excelsior Real Property Tax Credit.

#10 – Take Advantage of the New York State Excelsior Jobs Program – Excelsior Jobs Tax Credit

What is the Excelsior Jobs Tax Credit?

- A credit of up to 6.85% of wages per net new job;
- For a qualified green project, a credit of up to 7.5% of wages per net new job; and
- Credit must be computed and approved by NYS Empire State Development prior to claiming, on an annual basis.

#10 – Take Advantage of the New York State Excelsior Jobs Program – Excelsior Investment Tax Credit

What is the Excelsior Investment Tax Credit? (cont'd)

- A credit valued at 2% of qualified investments;
- For a qualified green project or green CHIPS project, a credit valued at 5% of qualified investments; and
- Credit must be submitted to and approved by NYS Empire State Development, prior to claiming, on an annual basis.

#10 – Take Advantage of the New York State Excelsior Jobs Program – Excelsior Research & Development Tax Credit

What is the Excelsior Research & Development Tax Credit?

- A credit of 50% of the portion of the Federal R&D tax credit that is related to expenditures in NYS up to 6% of R&D expenditures attributable to activities conducted in NYS;
- For a qualified green project or green CHIPS project, a credit of 50% of the portion of the Federal R&D tax credit that related to expenditures in NYS up to 8% of R&D expenditures attributable to activities conducted in NYS; and
- Credit must be submitted to and approved by NYS Empire State Development, prior to claiming, on an annual basis.

#10– Take Advantage of the New York State Excelsior Jobs Program – Excelsior Real Property Tax Credit

What is the Excelsior Real Property Tax Credit?

- A credit available to manufacturers locating in certain distressed areas and to businesses in targeted industries that meet higher employment and investment thresholds;
- Maximum first year credit of 50% of eligible property taxes; and
- Credit must be approved by NYS Empire State Development prior to claiming, on an annual basis.

Questions

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