



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Unlocking Tax Credits and Incentives for Business Growth

May 21, 2025



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Welcome



Jennifer Rohen

Principal – Tax
Business Incentives Consulting
jennifer.rohen@CLAconnect.com



Ginny Veit

Principal – Tax
Federal Tax Strategies
ginny.veit@CLAconnect.com



Brandon Hill

Principal – Tax
Federal Tax Strategies
brandon.m.hill@CLAconnect.com



Today's Agenda



Business incentives consulting



R&D tax credit



Transferable tax credits





Business Incentives Consulting

Jennifer Rohen, Practice Leader



Work Opportunity Tax Credit (WOTC)



The tax credit allows employers to reduce their federal tax liability by up to \$9,600 per new hire. For-profit businesses of any size qualify. 501(c) non-profits qualify for the veteran target groups only.



The tax credit applies to temporary, seasonal, part-time and full-time workers. The WOTC applies only to new employees who have never worked for the hiring employer at any other time.



WOTC is a prospective benefit that must be addressed at the start date for new employees. The employer has 28 days to submit paperwork related to qualifying employees to the state agency for verification.



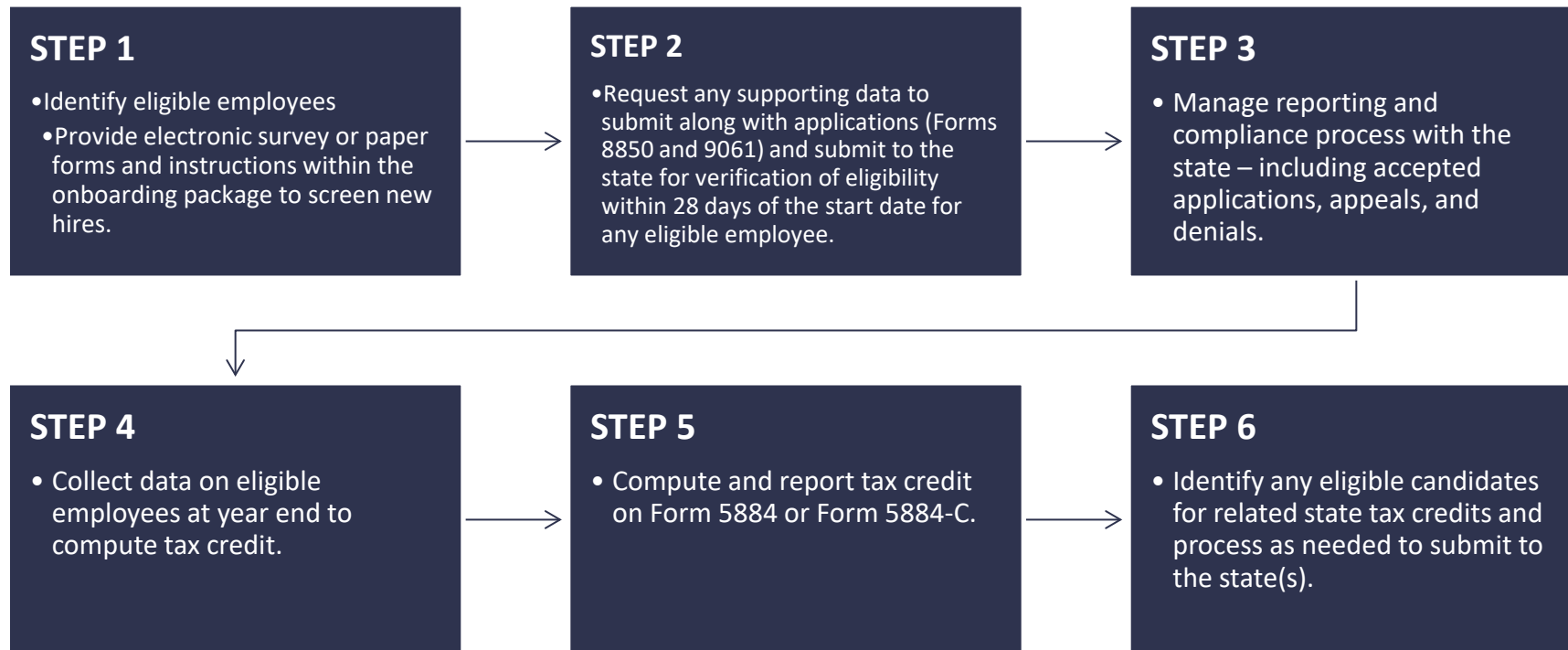
Taxable employers claim the WOTC as a general business credit on form 3800 against their income tax. The WOTC is calculated using form 5884.

WOTC Eligible Groups: 10-15% of New Hires Qualify

TARGET GROUP	MAXIMUM TAX CREDIT
VETERANS	
Receives SNAP benefits	\$2,400
VETERANS ENTITLED TO COMPENSATION FOR SERVICE-CONNECTED DISABILITY	
Hired one year from leaving service	\$4,800
Unemployed at least 6 months	\$9,600
UNEMPLOYED VETERANS	
At least 4 weeks	\$2,400
At least 6 months	\$5,600
OTHER WOTC TARGET GROUPS	
Short Term TANF Recipient	\$2,400
Long-Term TANF Recipient	\$9,000 (over two years)
SNAP (Food Stamp) Recipient	\$2,400
Designated Community Resident	\$2,400
Vocational Rehabilitation Referral	\$2,400
Ex-Felon	\$2,400
SSI Recipient	\$2,400
Qualified Long-term Unemployment Recipient	\$2,400



Our Process



Key Opportunities

Acquisitions

Consistent
hiring

High
turnover



WOTC Resources



WOTC service page:

[Work Opportunity Tax Credit \(WOTC\) Services: CLA](#)



WOTC welcome kit/meeting request form:

[Get Started With WOTC: CLA](#)



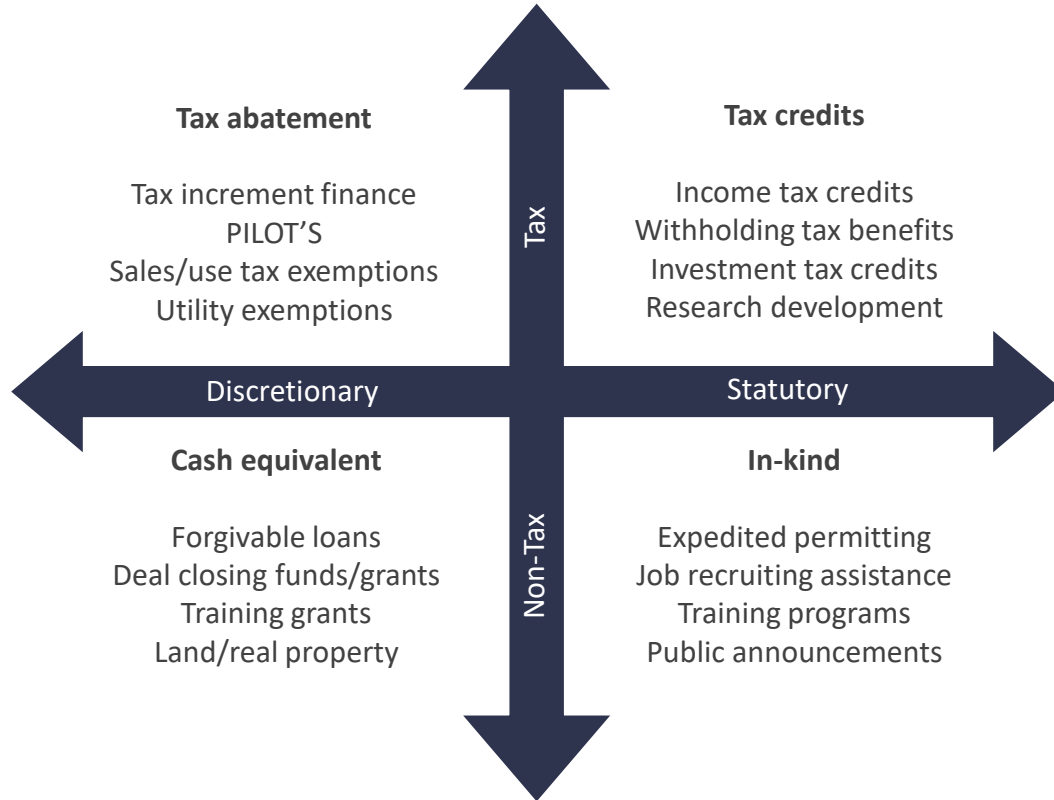
State and Local Tax Credits and Incentives

Opportunity

- Evaluate existing operations and strategic plans for C&I opportunities and assist businesses throughout the C&I life cycle.
- The effective use of state and local credit and incentive strategies can lower tax burden, enhance the return on capital investments, and improve overall business operations.
- Often companies can realize significant benefits amounting to between 15-30% of project capital investment.



Types of Credits and Incentives



Site Selection Process Overview



Assistance for Training and Recruitment

- There are over 200 state and federal economic development programs supporting workforce development across the country
- Programs assist employers of all sizes and types to recruit, develop and retain the most suitable employees for their needs
- Eligible training assistance varies but can include on-boarding, OSHA training and more

On-the-job training

- Federally funded program, implemented at the state level – often through regional workforce boards
- Hire from pool of eligible workers, they train on-the-job, company gets reimbursed for up to 50% of the employee's wages for while they are training.
- Specific benefits vary by state

Other workforce programs

- State funding, program eligibility, and potential benefits vary greatly from state to state
- Typically benefits take the form of grants, partial reimbursement, or in-kind services
- Often administered in partnership with community colleges, colleges, and universities
- Can be for a single employer or partnerships of large employers with common needs





R&D Tax Credit

Ginny Veit, Practice Leader



R&D Tax Credit Overview

Incentive to invest in
R&D in the US since
1981

Made permanent in
2015

Credit directly offsets
income tax

Start-up companies may
be eligible to use the
R&D credit against
employer portion of
payroll tax

State R&D incentives
also available



Qualified Research Activities: Four-Part Test



Additional R&D Requirements

Economic risk

- Party claiming R&D must bear economic risk of loss for the costs associated
- Consider contract terms (fixed price vs time & materials)
- Payment required whether or not the research / development is successful

Rights

- Taxpayer must retain rights in the intellectual property that is developed

In the USA

- Activities must take place in the United States in order to qualify for credit
- Activities that take place in foreign countries are not eligible for federal R&D credit



Quantifying Qualified Research Expenses

Wages - employees performing, supervising or supporting qualified research

- Percentages of time multiplied by federally taxable wages paid
- Actual hours is best if available

Materials and supplies - supplies used in carrying out qualified research (can include prototypes)

- Includes direct materials and supplies used in the prototyping or first article phases
- Supplies such as cutting tools can qualify if used in qualifying research

Contract research expenses – contractors engaged to perform qualified research

- Must be structured so the taxpayer bears the economic risk

Leased computing costs (e.g., cloud computing costs)



How Much Is the R&D Tax Credit?

- Averages between 5% and 10% of qualified research expense
- Credit may be claimed for prior years – 3-year statute of limitations typically



Research and Experimentation Capitalization

- Tax years beginning after 12/31/2021
- Capitalize Specified Research and Experimental (SRE) Expenses
- Domestic SREs amortized over 5 years
- Foreign SREs amortized over 15 years



Tax Legislation Proposals

American Innovation and Jobs Act

- Retroactive restoration of R&D expensing
- Increased payroll credit eligibility up to \$750K
- Increased credits for startup companies

One Big Beautiful Bill

- Reinstatement of R&E expensing 1/1/2025 until 12/31/2029





Transferable Tax Credits

Brandon Hill, Practice Leader



Overview

Under the Inflation Reduction Act (“IRA”) many renewable energy tax credits are now transferable



Previously, many project developers relied upon “tax equity” transactions with investors to monetize federal tax credits and related tax benefits (i.e., partnership flip structure).



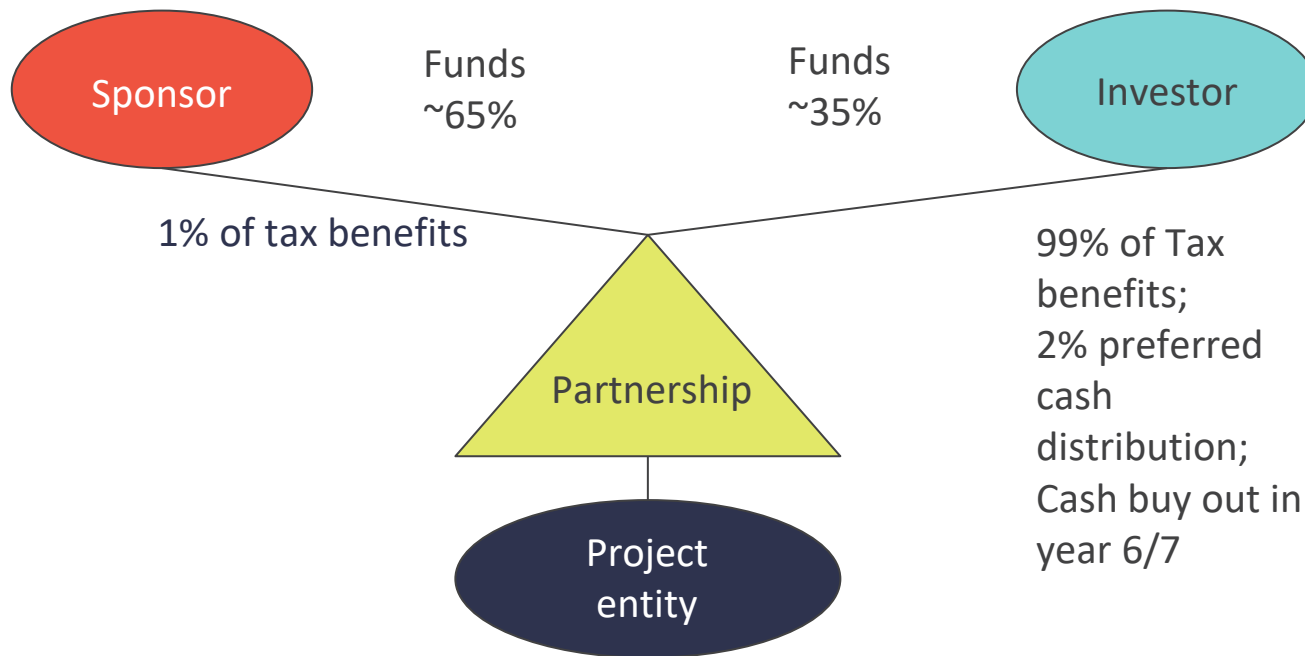
Illustrative credit generating activities: Solar, Wind, Energy Storage, Biogas, Geothermal, Solar/Wind Manufacturing, Electric Vehicle Fleets, Car Chargers



Tax credit transactions can reduce the corporate tax burden, improve cash flow, and allow investors to play a key role in the clean energy transition with the growing emphasis on environmental, social, and governance (“ESG”) standards.



Historical Tax Credit Monetization Structure



Transferability, At a Glance



The IRA now permits tax credit transfers (i.e., sales) of eleven different types of tax credits which were previously unavailable under the U.S. tax code



On December 22, 2023, the IRS released a registration system for which all tax credit sellers must register



Purchasers can time the transaction around estimated tax payments, extensions, or tax return due dates to enhance IRR

Consider potential carryback opportunities

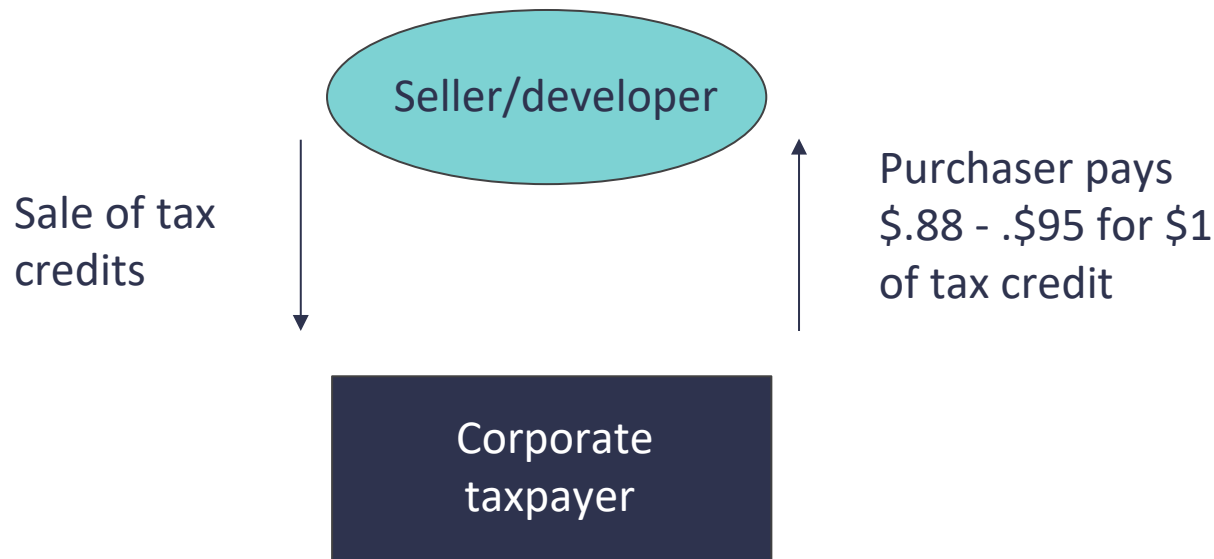
Transferability Process

How to buy and sell credits

- Taxpayers must be unrelated parties
- Must be purchased solely for cash (i.e., U.S. dollars only, no foreign currency or cash equivalents are permitted)
- Credit can only be sold once
- Taxpayers must complete pre-filing registration with the IRS if they intend to transfer some or all of an eligible credit
- Typical transactions are within the .88 to .95 credit range with pricing dependent upon creditworthiness of seller, project/credit size, credit type, and the existence of indemnification/tax insurance
- Consider general business credit rules when sizing purchase amount (i.e., only reduce tax liability by 75% under IRC 38(c)(1)).
- Risk mitigation via Seller indemnification and tax insurance



Tax Credit Purchase and Sale Transaction



Illustrative Credit Computation

Tax credit benefit illustration	\$5M tax credit purchase
Estimated tax liability	\$5,000,000
Amount of tax liability available for general business credit offset	\$3,756,250
Tax credit purchase at .90	\$3,380,625
Estimated cash tax savings (tax-free)	\$375,625



2023 Tax Credit Monetization Case Study

Tax credit benefit illustration

Targeted tax credit purchase	\$ 6,100,000
------------------------------	--------------

Tax credit purchase at .92	\$ 5,612,000
----------------------------	--------------

Cash tax savings (tax-free)	\$ 488,000
-----------------------------	------------

Buyer signed a Statement of Work with CLA in March 2024

Credit sourcing commenced April 2024 where a 2023 Investment Tax Credit ("ITC") for \$6,100,000 at \$.92/credit was found

Non-binding term sheet was signed mid-May 2024

Transaction closing/signing occurred early-July 2024

Buyer's 2023 tax return was filed with the IRS mid-July 2024

Immediately after the tax return filing, the Form 1139 was filed

Cash refund paid to buyer August 2024





Transferability

Summary

- Credits transferred by means of a purchase and sale agreement
- Relatively straightforward legal and accounting
- Purchase must be in cash from an unrelated party
- Due diligence and insurance still recommended to mitigate risks related to 5-year credit recapture period



Looking Ahead

Legislative Changes

- Initial House ways and means draft legislation released on May 12, 2025
- No impediment to 2024/2025 tax credit transactions
- Potential repeal of transferability for credits related projects initiated after two years from the enactment date of the final legislation
- Earlier transferability sunset does provide some incentive to move now



CLA Outlook

Everything You Wanted to Know
About Tariffs (But Were Afraid to Ask)



Thank you!

Jennifer Rohen, Principal

jennifer.rohen@CLAconnect.com

Brandon Hill, Principal

brandon.m.hill@CLAconnect.com

Ginny Veit, Principal

ginny.veit@CLAconnect.com



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.