

and fully understood. Take it slow. The business will come, and in many instances, the comfort level developed in the preliminary stages will lead to more and greater opportunities than originally imagined.

#### Step X – Evaluate, Analyze, Review

You're almost there! Now it's time to evaluate the arrangement, analyze the lessons learned, and then review the experience for its applicability to other markets (once you get into the game, you may be hooked!). The consensus by a group of Arizona businesses that took the big plunge is that a sustained, carefully plotted and implemented effort will pay off in the end, versus a "one-shot" attempt at global trading. Those that went into the venture allied with a coalition of educational, state, federal and other governmental groups added to their standing and credibility in the host or targeted trading-partner country. There is truly strength in numbers, particularly in a well-organized alliance.

As we conclude the "Ten Steps of Global Trade," the best advice I can offer is to take the leap, become an international marketer, and enjoy the experience, the enrichment and finally the financial rewards that will ultimately result. It is truly a remarkable experience, one that can build your confidence, your local and international opportunities and prestige, and your knowledge of and belief in the limitless possibilities of this extraordinary, dynamic and thriving plastics industry, throughout its vast domestic and global marketing arenas.

Contact Jim Meinert at (262) 375-2500 or [jmeinert@aol.com](mailto:jmeinert@aol.com).

## The Moldmaker's Trading Post

Andrew Baker at Byrne Tool & Die Inc. has contributed the first new invention to be shared with fellow members. Pictured are tooling trays that hold 2" square Erowa, Next Phase and Hirschman EDM tooling, in addition to holding 30mm Erowa Compact tooling. They are constructed of polypropylene and will hold up to EDM oils.

The trays are very heavy duty and each part weighs over 3/4 of a pound. They will not bend and crack like the foam trays and some plastic trays that are available. The compact design allows for better storage of your electrodes and electrode holders. It easily allows you to stack your empty holders on shelving without the trays sticking together. Each tray can hold up to 12 pieces of tooling and measures 1 x 7 x 9 inches.



The trays list for \$4 each and are available in boxes of 22. These are offered at a 20% discount for an AMBA member which brings the box price to \$70.40. Free delivery is offered in the greater Grand Rapids, MI area only. All other shipping will be sent the best way possible, depending on the size of the order. The trays are currently available in black only.

The tooling pictured is for reference only and not included in the sale. If you have questions, please contact Andy via e-mail at [abaker@netpenny.net](mailto:abaker@netpenny.net). Responses will be returned on weekdays. To place an order, please contact Andy Baker via e-mail or at Byrne Tool & Die Inc., (616) 866-4479 ext. 106 or on his cell phone at (616) 240-3770.

Have you invented a nifty tool to help moldmakers do their job better? We all know how creative moldmakers are when it comes to inventing new and better ways of doing things. Some have even designed and developed tools to use in their shops to help them do their jobs

better or more efficiently. If you have developed something that you think other shops would like, and want to sell your products to your fellow moldmakers, let us know. For \$225 you can advertise your device or tool in two consecutive AMBA newsletters and sell your invention to others in the industry. This is another benefit of AMBA membership – the sharing of ideas.



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## Tax-Breaking the Mold: Research & Experimentation (R&E) Tax Credits for Mold Builders

By: Adam Herman, CPA/ABV, CVA, ASA & Michael Devereux II, MPP&W, P.C.

The Research & Experimentation (R&E) tax credit - also known as the Research & Development (R&D) tax credit - is now available to mold builders for such activities as designing molds, improving customer designs, and refining or developing manufacturing processes.

#### About R&E tax credits

The R&E tax credit has been in existence since 1981, but recent regulations have relaxed the definition of qualified research activities and the record keeping requirements. Consequently, many companies that were not eligible in the past may now take advantage of this federal tax credit. Furthermore, the changes to the governing regulations are retroactive, meaning companies may file amended tax returns to obtain refunds of previously paid income taxes. In some cases, companies may recapture taxes paid up to four years ago.

The R&E tax credit is a wage-based tax credit available for the development or improvement of products, processes, techniques, formulas, inventions or software. In addition to R&E wages, companies may cap-

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ture supply costs for mold prototypes, as well as 65% of contracted labor used during the development process. This tax credit is available to all entities filing a federal tax return. In addition, more than 30 states offer a modified R&E tax credit.

Companies can benefit by both deducting the research expenditures and by claiming the credit. While the research expenditures are a reduction of taxable income, the R&E tax credit is a dollar-for-dollar reduction of tax. In addition, any fees paid to advisors for documenting the credit are deductible in the year paid.

The R&E credit is calculated by comparing recent years' research activities to a base amount with 20% of the increase in activities captured as the tax credit.

Companies must first use the credit to offset tax for the year the credit is generated. However, if additional credit remains, the company may carry the credit back one previous tax year or forward to the next 20 years.

#### Requirements

There are three basic requirements for research activities to qualify:

1. Qualified research activities are defined as the *development or improvement* to a business component, which is defined as a product, process, technique, formula, invention or software.

Mold builders are continually developing or designing custom molds to meet customer specifications. Most molds or tools are unique products and constitute a business component.

2. The research must be technological in nature. That is, the process of experimentation used to discover the information fundamentally relies upon the physical or biological sciences, engineering or computer science. Furthermore, companies may use existing technologies and may rely upon existing principles to satisfy this requirement.

Mold builders rely heavily on the principles of the physical and engineering sciences to develop or improve their products.

3. The research must be intended to eliminate uncertainty concerning the development or improvement of a business component. Uncertainty exists if the capability or method for developing the business component is unknown, or if the appropriate design of the business component is unknown.

Mold builders are constantly searching for more efficient and more effective ways to design or build molds. There is an endless supply of design specifications and alternatives to be considered in designing a mold – gate specifications, runner specifications, mold actions including ejection issues, cavity specifications, overflow/flashing issues, venting issues, and draft issues – all of which are uncertain at the outset of the mold design.

Common myths addressed

**Myth:** We are a small company. This credit is just for big business.

There is no size requirement for the R&E credit. Both large and small companies are potential candidates for the credit. If you have improved your products or processes, you may be eligible.

#### Tax Credit Checklist

##### Does Your Company...

- Manufacture products?
- Design tools, dies, fixtures, or jigs?
- Develop new, improved, or more reliable products or processes?
- Develop prototypes, models, or samples?
- Develop or apply for patents?
- Perform certification testing?
- Attempt to use raw materials?
- Add new equipment?
- Develop new technology?
- Develop or improve production or manufacturing processes?
- Develop production control software?
- Implement quality standards?
- Adhere to regulatory bodies?
- Improve or build new manufacturing facilities?
- Expend resources on outside resources to do any of the above stated activities?

**Myth:** We'll just tell our CPA to file the right form at the end of the year to receive the credit.

Successfully claiming the R&E tax credit is more complicated than just filing the appropriate form. Highly specialized knowledge of current and historical requirements is necessary to substantiate and defend your claim.

**Myth:** Our CPA looked into this a few years ago. We didn't qualify.

Recent changes to Treasury regulations have changed the definition of qualified research, allowing many more manufacturers' activities to qualify.

**Myth:** I'm not sure the credit is worth the time and energy.

The credit is worth the time and energy. Due to the relaxed definition of qualified activities, credit amounts tend to be significant and the process of documentation is designed not to disrupt operations.



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The Research & Experimentation tax credit is an excellent instrument to retain cash in a company. As a company in an ever-evolving industry, the credit provides an opportunity to offset some risk assumed by the company and encourages constant innovation.

#### About the authors

Adam Herman, CPA/ABV, CVA, ASA and Michael Devereux are members of MPP&W, P.C.'s R&E Tax Credit Group, a division of a regional, St. Louis-based CPA and business advisory firm. The R&E Tax Credit Group specializes in assisting manufacturers and their advisors in maximizing the R&E tax credit. For more details, visit [www.mppw.com/RE](http://www.mppw.com/RE). □

## Human Resources



Karla Dobbeck

By: Karla Dobbeck, Human Resource Techniques, Inc.

### Immigration Compliance

By now you have heard all the buzz surrounding immigration reform and what might or might not be required of employers in the future. This article will address what is required of employers, what employers are required to do after receiving the Social Security number mismatch letter and what new regulations might include.

Back in 1986, Congress passed sweeping immigration legislation, which resulted in The Immigration Reform and Control Act of November 6, 1986. Under this law, people who were in the U.S. illegally could gain legal status and continue their employment. The law also set up a verification system for every employee hired after November 6, 1986. This provision has proven to be very difficult for employers. It has spurred identity theft and a thriving trade in forged documents, such as social security cards, drivers' licenses, and birth certificates. The verification system has created a sub-culture of workers.

#### Current requirements

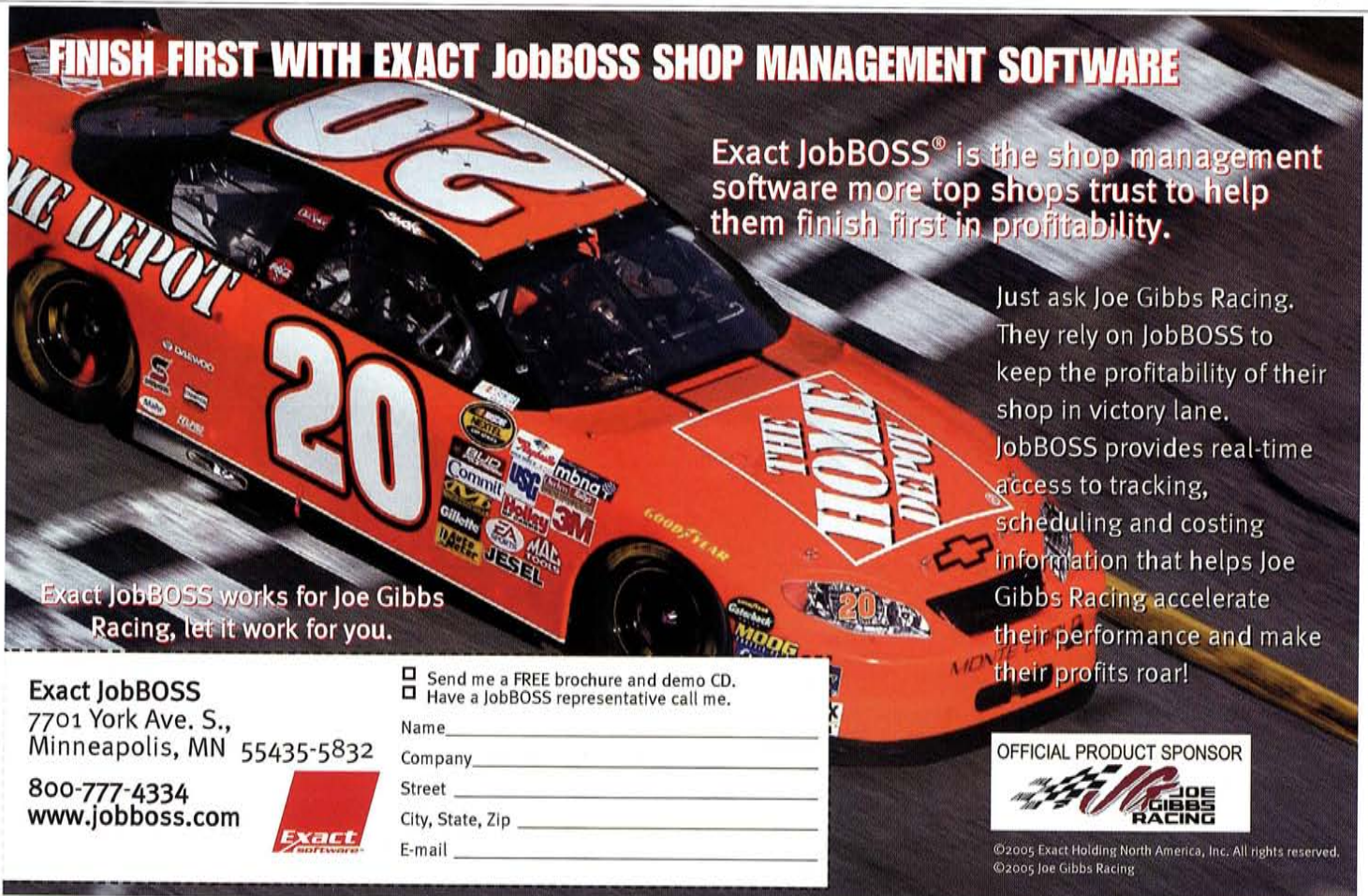
Currently, employers must verify the identity and the eligibility for employment of every employee hired within three days of employment. Technically, the newly hired employee should complete the top portion of the I-9 form on his/her first day of employment – the employer then has three days to view the documents presented and complete the second section of the I-9 Form.

There are penalties involved when the I-9 form is incorrect or incomplete. If you were to be audited by USCIS and errors are found, the penalty can be as high as \$1,000 per error so please make sure to complete the forms correctly.

Wise employers maintain separate files for I-9 forms for a couple of reasons. First, in the event of an audit, you will be required to give the agent access to the forms. If they are in the employees' regular files, you will be giving access of all other information in that file to the agent as well. Second, the I-9 Form contains the birth date of the employee and since age is a protected category, your supervisory staff should not have access to the information. A three-ring binder arranged alphabetically


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