

# Financial Strategies: Research and Experimentation Tax Credit Program Extended, Applicable to More Laboratories

In the fall, Congress extended the Research and Experimentation Tax Credit Program through 2011. Some key changes to the program may make it more advantageous for laboratories.

KELLY FESSEL CARR / EDITOR

Is your laboratory testing a new porcelain or alloy, adding new processes related to high-tech equipment, experimenting with a new technique or streamlining your production processes? If so, you could qualify for the Research and Experimentation Tax Credit (R&E Credit) and receive a credit of up to 20% of the cost of your research and experimentation activities—including the costs of labor—over a calculated base amount depending on your qualified activities in the past. (See *Do You Qualify?* on page 12 for a list of some qualifying research and experimentation activities.)

Implemented in 1981, the R&E Credit is a general business tax credit designed to reward companies for investing in innovation with the ultimate goal of stimu-

lating the economy. The credit is related to three categories: wages; supplies used during research; and contract labor (using an outside facility for testing). Wages are the biggest source of credit for laboratories because staff members' time spent experimenting and researching qualifies.

The credit may be applied retroactively, so the time you spent on research and experimentation in the past three or four years is applicable; the eligibility period depends on your laboratory's fiscal year end and when you filed your 2007 tax return. The potential financial benefit depends on the size of your laboratory and the amount of research and experimentation you're doing. For instance, if a lab's gross revenue is between \$2 and \$5 million

and it's spending 10% to 20% of its labor costs on research and experimentation activities, it could receive a credit of between \$50,000 and \$200,000 over a three- to four-year period.

"Some laboratory owners think the R&E Credit won't apply to them but that's a misconception. So much of what laboratories do every day is applicable—and not just on successful projects; failures count too. If, for example, you spend a month systematically testing a new porcelain with different substructures, the time you spent researching, experimenting and testing, regardless of the level of success of that project, may qualify for the credit," says Adam Herman, CPA/ABV, CVA, ASA, Mueller Prost PC, a CPA and business advisory firm in St. Louis that has helped over 100 laboratories obtain more than \$15 million in credits.

## Changes to R&E

Last fall, in addition to extending the R&E Credit program through 2011, Congress passed the Small Business Jobs Act that enables businesses to use the R&E Credit to offset the Alternative Minimum Tax (AMT), which taxpayers were not previously able to do. This change is only applicable in 2010 and to businesses with average gross receipts from the previous three years of \$50 million or less.

"Laboratories that may not have been able to take advantage of the R&E Credit in the past should take another look to see whether this change can help lower their tax burden," says Doug Kolker, CPA, also with Mueller Prost PC. "C-corporations and flow-through entities such as S-corporations, LLCs and partnerships are taking advantage of the R&E Credit for 2010. In addition, over 30 states offer a state research credit as well."

*continued on page 12*

CAP FZ  
FULL CONTOUR ZIRCONIA

Strength and Beauty  
Learn more at [cap-us.com/fz](http://cap-us.com/fz)

CAP  
Custom Automated Prosthetics 877-977-7889

If a lab's gross revenue is between \$2 and \$5 million and it's spending 10% to 20% of its labor costs on research and experimentation activities, it could receive a credit of between \$50,000 and \$200,000 over a three- to four-year period. "Some laboratory owners think the R&E Credit won't apply to them but that's a misconception. So much of what laboratories do every day is applicable—and not just on successful projects; failures count too.

~ Adam Herman, CPA/ABV, CVA, ASA  
Mueller Prost PC

# Introducing a Furnace that Defies the Conventions of Time and Space



## The Compact, Feature-Rich VITA VACUMAT® 6000M Furnace

The all-new VITA Vacumat 6000M is anything but conventional. Time-saving features include precision controlled fast-cooling, power failure protection and automatic temperature adjustment before every program. Plus, you get the choice of three feature-rich control units, allowing you to customize your experience and select only the features you want. The vPad Easy control unit contains 200 custom firing programs; the vPad Comfort features 500 programs and "one touch" operation; and the vPad Excellence has a robust 1000 programs and the ability to control up to four furnaces from one single control unit.

For a limited time take advantage of our 6 easy payment plan  
800-828-3839 | Take a video tour at [www.vident.com](http://www.vident.com)



VITA SHADE,  
VITA MADE. **VITA**®

continued from page 10

Several years ago, Congress added the Alternative Simplified Credit (ASC) to the R&E Credit Program in order to simplify the calculation process. Prior to this change, laboratories had to collect information from as long as 20 years ago to support their credit claim. Now, the easier ASC uses 50% of the average of the *three* previous years' of qualified expenditures as the base amount that must be exceeded to receive the credit.

The ASC can *only* be elected on an originally filed return, not on an amended return.

Calculating the credit is complex and, since the tax benefits can be substantial, the IRS often scrutinizes the forms. Therefore, proper documentation—including previously filed tax returns, W-2's, an organizational chart, research notes, technician logs—and working with a reputable accounting firm that specializes in R&E Credits are essential.

Mueller Prost PC has an R&E Tax Credit Group that specializes in assisting laboratories claim the R&E Credit. It offers a five-phase process: an initial meeting, preliminary assessment, documentation and supplemental interviews, calculation and substantiation of the credit, and planning for the future. There is no charge for the first two phases; the cost for the last three phases is on a fixed-fee basis. **LMT**

## Do You Qualify?

If your laboratory is doing any of the following, you could qualify for the Research and Experimentation Tax Credit (R&E Credit) and receive a credit of up to 20% of the cost of your research and experimentation activities—including the costs of labor—over a calculated base amount:

- Experimenting with the latest in pressing, implant, laser welding or CAD/CAM technologies.
- Researching different substructure materials for various applications.
- Testing new porcelains, composites, acrylics or other materials.
- Experimenting with alternate alloys.
- Testing restorations for fit, marginal integrity or strength.
- Developing or improving new techniques and formulas.
- Experimenting with new ways to increase productivity.
- Developing new processes in relation to lab equipment.
- Developing new products or techniques that improve patient comfort and reduce chairtime.
- Streamlining your production and internal process to improve quality and productivity.

# Finally, a denture liner that will perform ... and last long-term!

**NOVUS™**  
Definitive Resilient Denture Liner

Permanent resiliency over extended time

Bonds chemically to acrylic denture base resins

Processed, packed and cured using conventional lab processing procedures

Can be trial-packed

Can be molded around implant, bar and overdenture abutments

Resistant to fungal growth



Whether it is a new denture or a relin of an existing denture, denture wearers will appreciate the long-term benefits of improved fit, function and comfort in their denture when **Novus™ Definitive Resilient Denture Liner** is applied to their denture.

## NOVUS™ Now Available!

Call your local dental supplies dealer, or Lang Dental directly to learn how to get started with the definitive answer to improving denture wearers comfort and function ... improving their lives, and the care they receive from their dental professional.

Product Information: [www.langdental.com](http://www.langdental.com)



**LANG**

NOVUS™ : Definitive Resilient Denture Liner is manufactured by Lang Dental Mfg. Co., Inc.  
175 Messner Drive Wheeling, IL 60090 USA (847) 215-6622 Fax (847) 215-6678  
Toll free in U.S. & Canada 800-222-LANG (5264) Fax: 866-278-8510 [www.langdental.com](http://www.langdental.com)

**LAB DAY EAST Attendees**  
Pre-register for the show at [www.LMTmag.com](http://www.LMTmag.com) by March 25<sup>th</sup>!  
Your pre-printed badge will be waiting for you at the door!

**LMT labday EAST**

# Noritake

Our successful introduction of exciting, new zirconia solutions is deeply rooted in over a century of experience in ceramic technologies.

## PROVEN ZIRCONIA SOLUTIONS



CERABIEN

CERABIEN PRESS



**Clinic: Saturday, April 2, 2011**  
**8:00 am - 10:00 am**  
**Carnegie Hall Room**  
**Grand Hyatt New York**

**Kimiyo Sawyer, RDT**

8:00 am - 9:00 am / 1 CDT Credit

*"Material Selection for Minimizing Remakes - Zirconia or Lithium Disilicate"*



**Aki Yoshida, RDT**

9:00 am - 10:00 am / 1 CDT Credit

*"Maximum Esthetics - The Latest Ceramic Materials for Superior Esthetic Restorations"*



*"I am consistently pleased with Noritake CZR porcelain, its excellent esthetic results, as well as the infrequency of chipping during fabrication or post-insertion. The recent CZR study results presented at IADR 2010 Barcelona<sup>1</sup> reaffirmed my confidence in this Zirconia material."*

Aki Yoshida, RDT, Gnathos Dental Studio

### Survival Analysis of PFZ and PFM Crowns

Group	Total # Crowns	Mean Survival in Days	Probability of Survival in %
CZR Katana	986	1302.4	99.7
CZR Lava	584	1576.3	97.3
CZR Procera ZR	374	1561.7	99.5
<b>PFZ Total</b>	<b>1944</b>	<b>1583.6</b>	<b>98.1</b>
EX-3 52% Au	691	1570.0	95.8
<b>PFM Total</b>	<b>691</b>	<b>1570.0</b>	<b>95.8</b>

<sup>1</sup> 88th Annual Meeting of IADR - "Clinical Survival of Posterior Zirconia Crowns in Private Practice." July 14-17, 2010, Barcelona, Spain Abstract # 134121

For more information on the "CZR Study Results" visit [www.noritake-dental.co.jp](http://www.noritake-dental.co.jp)

### Featured Product 2011



- Ideal for a wide range of alloys
- Highly crack-resistant
- Easy-to-make porcelain margin which covers 360 degrees
- EX-3 PRESS LF Porcelains are available with full color line-ups
- Excellent opalescence ingots

**Introducing New EX-3 Universal Paste Opaque in 2011!**

**On-line registration** recommended as seating is limited. Register today at [www.noritake-dental.co.jp](http://www.noritake-dental.co.jp)



### KATANA MILLING LABORATORY NETWORK



[www.custom-milling.com](http://www.custom-milling.com)  
Toll free: 877.933.MILL (6455)



[www.worldlabusa.com](http://www.worldlabusa.com)  
Toll free: 800.WRLDLAB (975.3522)



[www.alluredentalstudio.com](http://www.alluredentalstudio.com)  
Toll free: 877.325.5873



[www.BostonCadcamCenter.com](http://www.BostonCadcamCenter.com)  
Toll free: 866.537.0099



[www.etimilling.com](http://www.etimilling.com)  
Toll free: 888.SCAN.MILL (722.6645)

**ACADEMIC USERS**  
Penn Dental Medicine  
UCLA



NobelProcera™ Preferred Partner

[www.noritake-dental.co.jp](http://www.noritake-dental.co.jp)