



Therapeutic Discovery Project Tax Credit Overview

Friday, May 14, 11am

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PHARMACEUTICAL SERVICES

Today's Agenda

- Welcome and Intro
 - Tony Dennis, BioOhio President & CEO
- Section 48D Technical Overview
 - Jim Sacher, Skoda Minotti
- Preparation Guidance
 - Ronald Lachey, Brixey & Meyer
- Q&A and Concluding Remarks
 - *raise your “virtual hand” to ask question “on air” or submit question on bottom of webinar dashboard for moderator to read*





Section 48D Overview

*Delivering
on our **promises** to
our **clients, employees,
business contacts
and community**
is what makes
us who
we are.*

Presented by:
Jim Sacher, CPA
Skoda Minotti

**SKODA MINOTTI**

CPAs, BUSINESS & FINANCIAL ADVISORS



Qualifying Therapeutic Discovery Projects (QTDP)

- Applies to qualifying therapeutic discovery projects for amounts paid or incurred in either 2009 or 2010 in tax years beginning after December 31, 2008
- Allocated \$1 billion for the new program for the two-year period 2009 and 2010
- Benefit is 50% of qualifying costs
- Benefit may be, at the election of the taxpayer, in the form of a tax credit or a grant
- Must reduce otherwise deductible qualifying costs, forego bonus depreciation and offset basis in property included qualifying costs





A project designed
to develop a:

Product

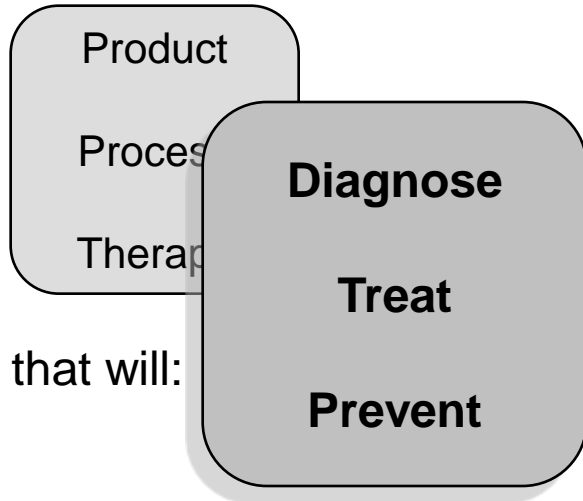
Process

Therapy

Qualifying Therapeutic Discovery Project



A project designed
to develop a:



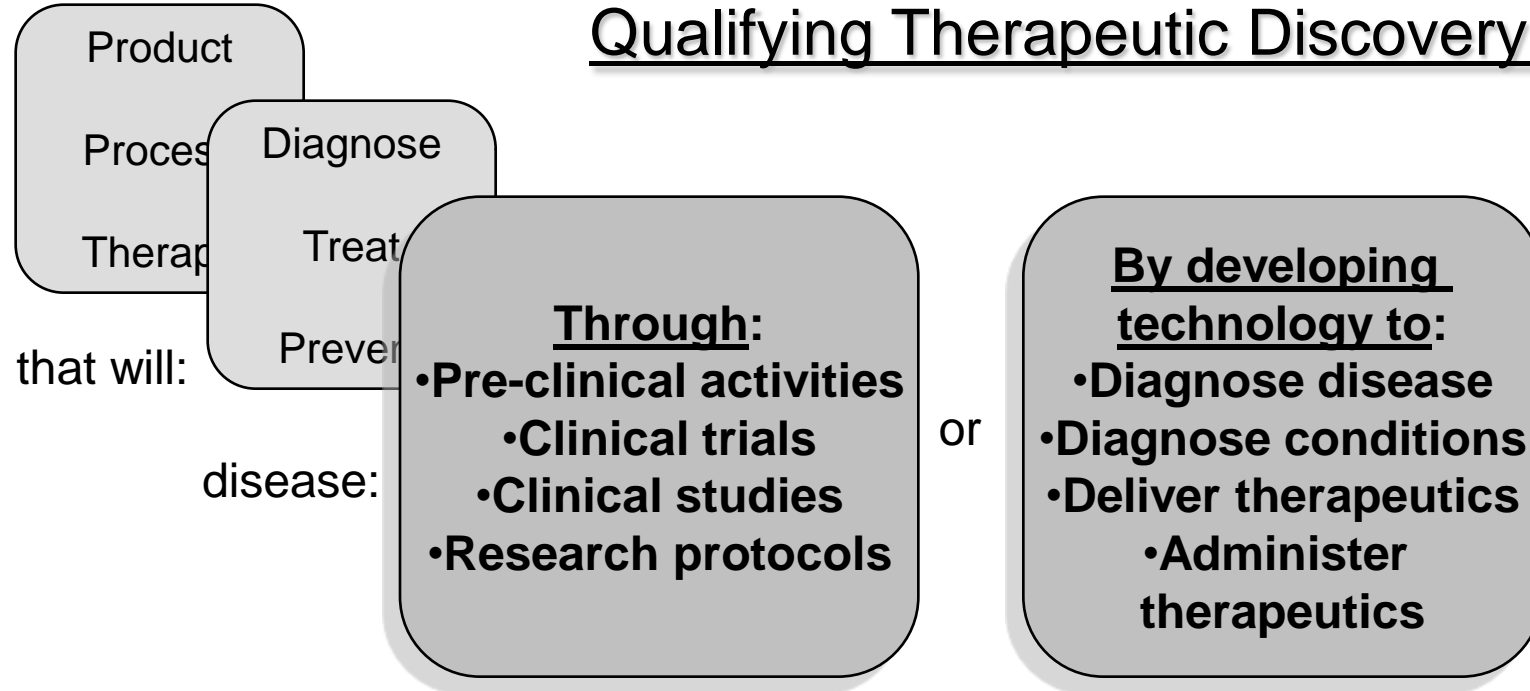
that will:

Qualifying Therapeutic Discovery Project



A project designed
to develop a:

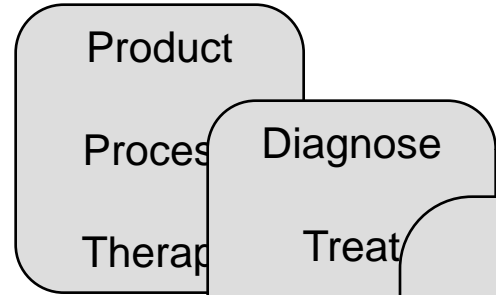
Qualifying Therapeutic Discovery Project





A project designed to develop a:

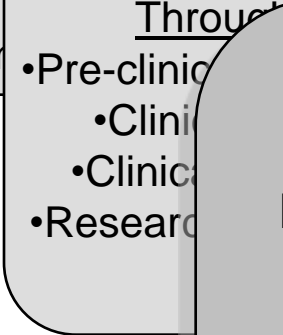
Qualifying Therapeutic Discovery Project



that will:

disease:

especially if the QTDP results in:



New therapies to treat unmet medical need

Prevent, detect, treat chronic or acute disease

Reduce long-term health care costs

Advance the goal of curing cancer within 30 years

Create and sustain high-paying US jobs

Advance US competitiveness in healthcare



Who may benefit?

- The credit or grant allocations will be awarded to taxpayers based upon a competitive application process administered by the IRS and the Department of Health and Human Services (HHS). Thus, only taxpayers certified in advance may benefit from the program.
- Only taxpayers with no more than 250 employees are eligible taxpayers.
- Taxpayers must be engaged in qualifying therapeutic discovery projects in 2009 &/or 2010.



Which costs are qualifying costs?

- The aggregate amount of the costs paid or incurred in 2009 and 2010 for expenses necessary for, and directly related to the conduct of, a qualifying therapeutic discovery project.
- Necessary costs would appear to include:
 - Direct labor (including fringe benefits)
 - Supplies used in the conduct of research
 - Contract research expenses
 - Royalties
 - Rental &/or depreciation on equipment used to conduct research



Which costs are qualifying costs? (cont.)

- Necessary costs *do not* include:
 - Remuneration for an employee/owners
 - Interest expense
 - Facility and maintenance costs
 - General and administrative expenses
 - Any other expense as determined by the IRS as appropriate to carry out the purposes of this new incentive



Contact Information

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**BUSINESS
MINDS**
MINDING YOUR
BUSINESS




Therapeutic Research Credit
Ronald Lachey
05/13/2010



What do we need to do now?

- Companies should immediately canvas their activities to determine to determine if they meet one of the qualifying project definitions.
- If a project qualifies, the next step is to gather information related to certain expenses the company incurred in the project.
- The types of expenses that qualify for this tax credit/grant are similar the expenses used to quantify the federal research and development tax credit (R&D Credit).



Interviews and Information Gathering

- Interview the individuals within the company that are involved in the qualified projects.
 - Document their activities in detail and how the activities meet the requirements to be qualified.
 - Highlight to these individuals the additional criteria that will be considered and begin to create the story around those criteria to increase the likelihood of being approved.
 - Produce a narrative for each project or activity within the projects that qualify as this information will be included in the ultimate application.



Gather Expense Information

- Qualified investments include wages, supplies, and any contract research payments.
- Wages
 - For purposes of the R&D Credit, wages are considered paid for qualified services if paid for (1) engaging in qualified research, (2) direct supervision of qualified research, or (3) the direct support of qualified research.
 - Bifurcation Approach (% of time on qualifying projects)
 - If at least 80% of the services performed by the employee constitute qualified services, *all* the services performed by the employee will be treated as qualified services.



Gather Expense Information

- Supplies
 - Any tangible personal property used in the conduct of a qualified project.
 - Cannot include land or land improvements or any property of a character subject to the allowance for depreciation.
- Contract Research
 - When contractors performs research for a company, they incur both expenditures that would qualify if performed by the company itself as well as those that would not. Therefore, for purposes of Section 41 the qualifying expense is 65% of the amount paid.



HOW CAN WE HELP YOU?

Contact:
Ronald Lachey
614-478-4114

Questions

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