

Frequently Asked Questions!

What this means to you the client?

If you are eligible for a Research and Development (R&D) Credit, ADP TotalSource can file for a refund on your behalf. Refunds are based on the prior quarter's withholding of Social Security taxes paid by the employer.

How is this done?

Required Forms

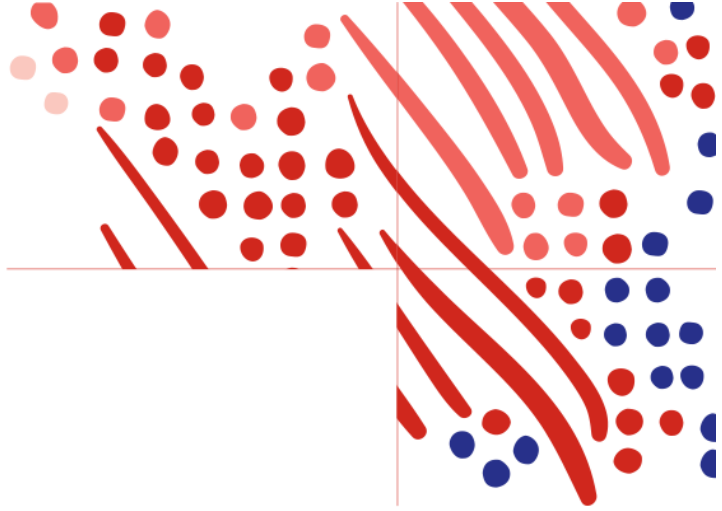
ADP TotalSource requires the following documents:

- IRS form 6765
- R&D Credit Election Form

You will complete the IRS form 6765 based upon your corporate tax filings and calculation of the R&D credit.

Credits are refunded based upon the withholding for the previous quarter. In the event that a full credit is not absorbed, the following quarter will have a credit refund processed. In this instance, the TotalSource team associate will complete any additional forms needed to fully absorb the credit.

The R&D Credit Form is completed once and must be signed by an authorized individual for the client.



Frequently Asked Questions

Q. Do I qualify?

H.R. 2029 - The “Consolidated Appropriations Act, 2016” (Division Q - “Protecting Americans from Tax Hikes Act of 2015”, Title 1) was signed into law by the President on December 18, 2015 adding new sections 41(h) and 3111(f) to the Internal Revenue Code. Pursuant to this law, eligible businesses may receive tax credits to help offset their investments in qualified research and development activities. “Eligible small business” may use the credit to offset their alternative minimum tax liability. “Qualified small businesses” may elect to apply up to \$250,000.00 of the credit against the employer portion of social security taxes.

- An eligible small business is a corporation whose stock is not publicly traded, a partnership, or a sole proprietorship who has less than \$50 million in average annual gross receipts for the three preceding taxable years.
- A qualified small business is a corporation (including an S corporation) or partnership with: 1. Gross receipts of less than \$5 million for the tax year, and 2. No gross receipts for any tax year before the 5-tax-year period ending with the tax year. A qualified small business does not include a tax-exempt organization under I.R.C. section 501.ii

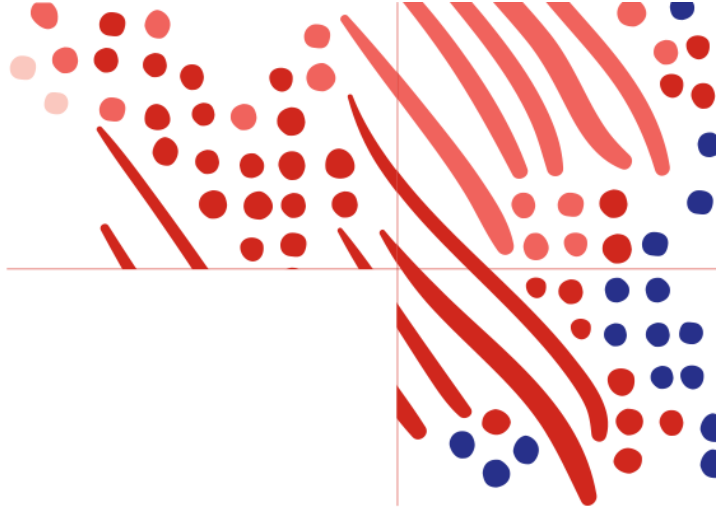
Additional requirements are specified in IRS forms 6765 and 3800

Q. When am I eligible for the credit?

A. You are eligible to file for the credit in the quarter after you file your corporate return.

An example is below:

- Corporate return filed Feb 15, 2019. You are eligible to begin taking credits in 2nd Qtr. 2019.



Q. How much is my refund?

A. Refunds are determined by two factors, the overall refund amount and the withholding for a calendar quarter.

In the example below, we outline a typical refund:

Overall refund amount: \$100,000.00

Quarterly withholding for Social Security: \$10,000.00

Refund due to client: \$10,000.00

Amount carried over: \$90,000.00

ADP TotalSource will continue to apply the withholding for the quarter in question against the remaining credit amount until it is fully absorbed. There is no up-front refunding of the entire credit if it exceeds the quarterly withholding.

Q. Who does the IRS send the refund payment to?

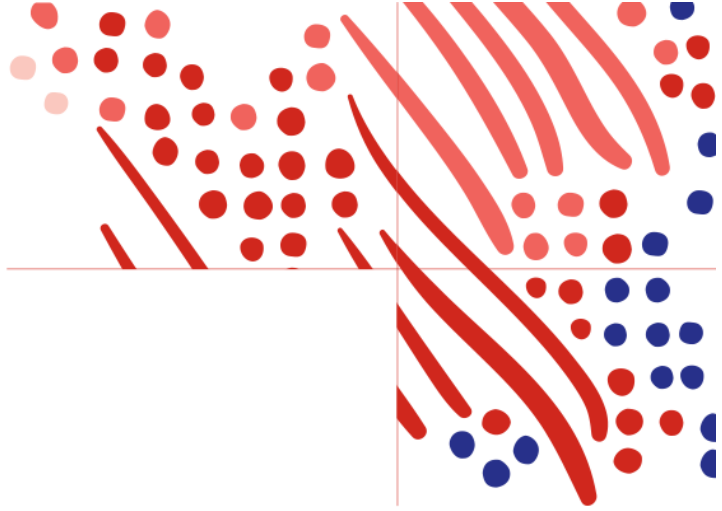
A. The filing is done under the ADP TotalSource Federal ID. Refund checks are sent to ADP TotalSource in our name.

Q. How long do refunds take to come back from the IRS?

A. This varies. We are given the standard verbiage by the IRS that they can take up to 8 weeks after receipt of our 941 filings. Due to the complexity of the ADP TotalSource filings, refunds can exceed the 8 week timeframe given.

Q. What happens when we do not receive the refund in 8 weeks?

A. A tax team member contacts the IRS on a weekly basis inquiring as to the status of outstanding refunds. The IRS typically responds within 3 business days.



Q. How do you receive the refund?

A. Upon receipt of the refund check from the IRS, a reconciliation is completed by Tax to validate that the requested amount was received. The credit will be reflected within two payroll cycles.

Q. What happens if I submit my documents late?

A. ADP files on a set calendar schedule. Upon receipt of the credit request, the tax team associate will inform you if documents have been submitted in a timely fashion, to be included in the next quarter's filing. If documents are submitted after the cutoff, the tax team associate will submit the refund request via an amended filing.

Q. How long do refunds take for amended returns?

A. Amendments are generally posted after the original quarterly filings. The processing timeframe is the standard eight weeks, providing there are no IRS processing delays.

Q. How will I be made aware that their R&D credit request was received?

A. Upon receipt of the R&D Credit Election form, a tax team associate will send a R&D Credit Processing Acknowledgement letter to you.

What happens if the information I provide is missing or incomplete?

A. A tax team associate will send you a Missing Information Letter, requesting the additional information that is required to process the credit request.