

## **THE GOVERNMENT WILL PAY YOU TO WORK WITH FULCRUM CONSULTINGWORKS, INC.**

Your investment in consulting to improve processes may well be eligible for a major tax credit.

The tax law intended to spur R&D investment has existed for over 20 years, but recent interpretations mean that many of you are likely paying too much in taxes. One local financial firm that specializes in calculating and documenting those R&D tax credits found almost 100% of companies it reviewed in 2004 had overpaid taxes. It's not just the big guys. A \$13MM "S" Corporation Ohio firm gained a net credit of \$150,000. And that was one of the smallest overlooked tax credits found by the specialists. Before you know it, we're talking about real money.

Types of activities included in calculating the tax credit include:

- Product R&D – any activity in the development of new products
- Process R&D – any activity to improve processes
- Software – any activity in custom application development

Note: "Any activity" includes relevant meeting time, consulting help, competitive product research, and much other work performed in the 3 activity types listed.

If you haven't invested in any of those 3 categories, an overlooked tax credit is likely the least of your problems. For those of you who did, you may have left money on the table and the government scooped it up.

Manufacturers with proprietary products are likely to have considerable opportunity for credit in the first

two categories, if not the 3<sup>rd</sup>. Service companies, contract manufacturers and distributors may not have typical product R&D investments, but they are likely to have invested in process improvement and perhaps customized software.

While your tax advisors may have calculated this tax credit for you in the past, it is important that someone with a solid understanding of Operations be involved. Many categories that can be included in the calculations are often overlooked by traditional accountants. It may be worth taking a second look.

## **IS YOUR AXE SHARP?**

Fulcrum's revenues were down in 2004. Reading that, you may be surprised to learn I'll be vacationing in Australia and New Zealand this winter. Why am I going, despite a down year? Because rejuvenation is very important to delivering the highest quality services to my clients.

Furthermore, my 2004 investment in education easily exceeded my self-imposed minimum requirement of 80 hours. My professional volunteer hours, which sharpen my skills, equaled prior years. In addition, I upgraded computer equipment and software, as I do each year.

The point? While the temptation to reduce investment in your people, yourselves, and your businesses might be strong in a down year, fight it. The best continue to invest time and money in getting better, even in the worst of times. If you don't, why should your customers want to continue to do business with you?

The woodsman must stop to sharpen his axe, or he'll never cut down the forest. Are you keeping your axe sharp?