

## It May Be Complicated – But It’s Still a Deduction You Ought to Be Taking.



### ABOUT THE DPAD PROGRAM

Companies engaged in manufacturing and other qualified production activities are eligible to take a tax deduction of up to 9% from net income.

Domestic Production Activities Deduction Calculation	
	Qualified production activities income (QPAI)
Minus ( - )	Qualified production activities expenses
Equals ( = )	Qualified production activities net income
Times ( x )	The QPA deduction amount
Equals ( = )	The Tentative QPA Deduction

### ELIGIBILITY FOR THE SECTION 199 DEDUCTION

Based on the IRC Section 199, companies involved in the following types of business may qualify for the Domestic Production Activities Deduction:

- Manufacturing based in the United States
- Selling, leasing, or licensing items that have been manufactured in the United States
- Selling, leasing, or licensing motion pictures that have been produced in the United States
- Construction services in the United States, including building and renovation of residential and commercial properties
- Engineering and architectural services relating to a US-based construction project

### CAPTURING THE FULL BENEFIT IS NOT EASY

Many leading tax preparation software packages take an oversimplified approach to the deduction that yield sub-par results. It’s possible to not only under-claim, but to claim incorrectly and increase the chances of an audit. There can be several challenging aspects:

- Selecting the appropriate methodology
- Determining what are domestic vs foreign costs
- Defining what constitutes substantial value

### WORK WITH TAX CREDIT CO.

- TCC puts a focus on the ever-changing legal landscape pertaining to this specific deduction
- TCC has experience in this deduction, and with the expenses associated, and can help make many of the challenging determinations
- TCC is able to evaluate allocation strategies that CPAs may not have experience with
- TCC will assemble a detailed audit package for clients, because deduction has the potential to be audited
- TCC can consider development/application of new allocation methodologies when justified by facts/circumstances

