

**R&D; TAX CREDITS**

# The R&D; Tax Credit Isn't Just for Tech Companies. Here Is Who Actually Qualifies.

By Timothy C. Franklin · May 12, 2026 · 6 min read

## The Assumption That Is Costing You Money

When most business owners hear the words "R&D; tax credit," they picture a startup in San Francisco burning through venture capital on software nobody has built before. They do not picture themselves.

And that assumption is one of the most expensive mistakes in the American tax code. Because the R&D; tax credit was not designed for Silicon Valley. It was designed for any business that is trying to solve a problem it has not solved before. That is a much longer list than most people think.

## What the R&D; Tax Credit Actually Is

The Research and Development tax credit lives in Section 41 of the Internal Revenue Code. It has been part of the federal tax system since 1981. That is the Reagan era. Forty-five years ago. Congress created it because they wanted to incentivize American businesses to do the kind of work that keeps America on the cutting edge.

It is not a deduction. A deduction reduces your taxable income. A \$10,000 deduction saves you \$3,700 at a 37% rate. But a credit reduces your actual tax bill, dollar for dollar. A \$10,000 credit saves you \$10,000. No bracket math. Straight off what you owe.

TAX DEDUCTION \$3,700 What a \$10,000 deduction saves you at a 37% tax rate.

TAX CREDIT \$10,000 What a \$10,000 credit saves you. Dollar for dollar. No bracket math.

## The Four-Part Test

The IRS uses four criteria to determine whether your activities qualify. The test sounds technical. In practice, it catches far more businesses than most people expect.

**PART 01 — Permitted Purpose** The activity must be aimed at developing or improving a product, process, software, technique, formula, or invention. Internal tools and processes count.

**PART 02 — Technological in Nature** The work must rely on principles of engineering, physical science, biological science, or computer science. You do not need a lab. You need a methodology.

**PART 03 — Elimination of Uncertainty** There must be a genuine question at the start. You did not know whether the design would work, the process would be feasible, or the approach would succeed.

**PART 04 — Process of Experimentation** You evaluated alternatives. You tested. You iterated. You did not just implement something off a shelf. You figured something out through a process.

## Who Actually Qualifies

Here is a partial list of industries we see qualifying regularly: Manufacturers. Breweries and Distilleries. Contractors and Builders. Agriculture and Food Producers. Engineering Firms. Architecture Firms. Life Sciences and Medical. Aerospace and Defense. Software Development.

A real estate company that wants to streamline its internal processes. A sales organization building better systems, implementing better metrics, using technology to revolutionize the way their industry operates. That is research and development. That is the American way. And the tax code has been rewarding it for 45 years.

*"The question is not whether you do research and development. The question is whether you recognize it when you are doing it."*

## What Expenses Actually Count

The credit is calculated on Qualified Research Expenses. Three categories: wages (employees spending time on qualifying activities), supplies (materials consumed during the research process), and contract research (65% of what you pay outside contractors for qualifying work).

Here is the number that should bother you. Approximately \$15 billion in R&D; tax credits are claimed in the United States every year. Experts estimate another \$7 to \$10 billion in legitimate credits go unclaimed annually.

**\$7-10B In legitimate R&D; credits left unclaimed every single year** Businesses that qualified, did the work, and never filed. The credit does not come to you. You have to go get it.

## Why Your CPA Has Not Brought This Up

Your CPA is not holding out on you. The R&D; tax credit requires a specialized study, detailed documentation, and a level of analysis that goes well beyond standard tax preparation. The credit is opt-in. If you do not file for it, you do not get it.

We work alongside your existing CPA. We do the study. We document the qualifying activities. We prepare the credit claim. Your CPA files it. You get a significantly lower tax bill.

We have to be honest: there are no shortcuts. Claiming the R&D; tax credit requires real documentation. Payroll ledgers. Time allocations. Project records. Receipts. A clear trail. We will guide you through every step. But there will be a lift on your end. The return is worth it. We promise.

## **The First Step**

We start with a free analysis. We look at what your business does, what your team spends time on, and whether your activities pass the four-part test. If they do not, we tell you. We have turned away engagements before.

Most of our R&D; clients are surprised by two things. The first is that they qualify at all. The second is how much is on the table once we start looking.

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**Ready to find out what applies to you?**  
Free analysis. No fee. No commitment.

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