New Hampshire Business Review
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CPAs help navigate state and federal tax changes

CPAs walk businesses through significant changes at tax time with advice on how to proceed

January 27, 2023
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As New Hampshire companies navigate their way through the upcoming tax season in 2023, they will encounter a myriad of changes at the state and federal level. By working with some of New Hampshire best CPA firms, they can count on a partner who will take the stress and uncertainty out of the equation to best protect their earnings. New Hampshire Business Review consulted with one of the state's leading CPA firms to get the inside strait on the some of the most significant changes businesses will encounter at tax time and advice on how to proceed.

Excerpt:

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Q: What type of Impact could the CHIPS Act have in New Hampshire?

A: The intent of this law is to encourage investment in advanced computer chip manufacturing facilities. Given New Hampshire's tax advantages, the Granite State could benefit from this program. Would-be chip manufacturing investors would benefit in the following ways:

An investment tax credit (the advanced manufacturing investment credit) equal to 25 percent of a qualified investment for any advanced manufacturing facility of an eligible taxpayer. Qualified property includes depreciable tangible property that is constructed, reconstructed or erected by the taxpayer; acquired by the taxpayer if the original use of such property commences with the taxpayer; and integral to the operation of an advanced manufacturing facility. Qualifying costs can include buildings and structural com ponents, except for the portion used for offices, administrative services or other functions unrelated to manufacturing.

Q: As New Hampshire businesses incorporate more climate change technologies and practices, how could the new federal credits help them?

A: The law includes modifications to existing tax credits and the creation of new credits to address climate change, including those related to the purchase of new and used electric vehicles.

Some of these provisions have a potential impact in 2022, including:

• The restoration of the clean energy production tax credit (which had lapsed for facilities whose construction had begun before January 1, 2022).

• The restoration of the IRC sec. 45L for Energy Efficient Home Credit. All home developers and owners of multifamily structures should review the potential applicability of this credit.

Many of the clean energy credits and deductions utilize a two-tier structure where there is an increased base credit equal to five times the base amounts if Prevailing Wage and Apprenticeship Requirements are satisfied. The IRS is to issue guidance as to what constitutes compliance with the requirements. However, these rules will not be applicable for facilities where construction has begun before 60 days following issuance of this guidance. Facilities where construction has begun prior to this date are deemed to comply with these rules and are eligible for the higher credit or deduction amounts. This creates an incentive to begin construction before the new rules become effective.

Q: How can Granite State businesses manage the way that research and experimentation costs are handled?

A: For tax years beginning in 2022 and later, taxpayers are required to capitalize these costs and amortize them over a five-year period (15 years for research and experimentation costs that are foreign). Any unamortized costs are not permitted to be written off or applied against sales proceeds if a related asset is disposed of or abandoned.

Instead, amortization must continue.

While there was a provision in the proposed Build Back Better Act that would have deferred the effective date until 2025, this did not pass. It is hoped that this will be addressed during year-end legislation, but a change could carry a large price tag in lost tax revenue.

Businesses should be addressing before year-end how research and experimentation costs will be separated from typical ordinary business expenses on their books. The definition of these expenses under IRC section 174 are more expansive than those that may be separated and used in determining a federal research and development credit.