

SOUND & COMMUNICATION

AV FOR SYSTEMS INTEGRATORS, CONTRACTORS AND CONSULTANTS

SOUND, SIGHT AND SAVINGS: THE TAX REWARDS FOR A/V INTEGRATORS

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by Tracy Lustyan, *alliantgroup* Managing Director

You may think that your work goes unnoticed—it seems to be a common theme among technicians and specialists who work their magic behind the scenes. The experiences you create for concert fans, churchgoers and bar patrons are impactful, but those audiences aren't thinking of you during those pinnacle A/V moments, when the sound and visuals and lighting all come together.

They're not thinking of the hours you spent rigging or balancing the stereophonics, and almost certainly not the design and engineering you put into the automated light scheme, broadcasting compounds or multiplexing.

That's a compliment, though, and likely a testament to your work. It's your job to make those moments feel easy.

The A/V integrator is a special type of engineer—you're harnessing fickle technologies with clever solutions to deliver an audience experience that is taken for granted.

However, your contributions to A/V integration and digitainment have not gone unnoticed. Although your audience might not acknowledge all that goes into that clear sound, you should know that your industry has earned recognition from the U.S. federal government. You should also know that our government is keen to reward the businesses that are rising to the technical challenges of audio, visual, light and transmission sciences.

YOU'RE PERFORMING RESEARCH AND DEVELOPMENT EVERY DAY

If you're wondering why the U.S. government is paying attention, it's because the health of the economy is banking on the success of cutting-edge markets that straddle creativity and technical precision: A/V embodies that perfectly.

If the words "research and development" don't strike a chord with you, then you're not familiar with the tax (i.e. IRS') definition of "R&D." Over three decades ago, lawmakers recognized the economic impact of global competition and created a business tax incentive that identified innovation as a key driver of productivity and growth.

The Research and Development (R&D) Tax Credit is in place to encourage companies to employ progressive business practices. Don't be curbed by the terminology—"research and development" might remind you of the conventional laboratory, complete with lab coats and beakers, but the IRS' definition of R&D actually covers an enormous landscape of industries that employ hard sciences. It's much broader than most people assume.

How does it work? In exchange for proof that your business is exercising forward-thinking activities—i.e. those related to improving a product, process, technique,

software or formula (which, for most A/V integrators, translates into routine, everyday undertakings)—the IRS will reward you with a potentially significant reduction to your tax liability. You don't have to reinvent the wheel to qualify for the R&D Tax Credit, and this incentive can be applied retroactively to three or four look-back years, often resulting in a major financial reimbursement.

COMPANIES JUST LIKE YOURS ARE CASHING IN

An A/V integration company specializing in audio, video and lighting design/installation was contracted to regularly produce the technical direction and broadcasting for a professional sports team. Of their many qualifying activities, the integrators routinely determined the optimal strategy for transmitting audio and visual signals for streaming, and designed the floor plan, rigging and lighting before each game. Thanks to the R&D Tax Credit, the company was able to claim four years' worth of federal tax credits for their work, totaling \$239,625.



An A/V integration company received \$239,625 in federal credits as a result of its work producing the technical direction and broadcasting for professional sports events.

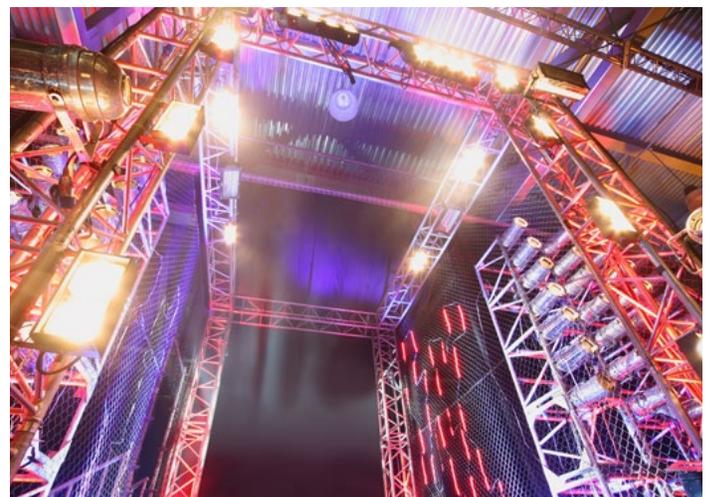
COMPLETELY WORTHWHILE

"Finding out that our architectural acoustics and audiovisual design activities made us excellent candidates for the credit was both exciting and rewarding," said Grace Wdowiak of Veneklasen Associates, a California-based acoustical design firm that specializes in sound reinforcement and video integration.

The management at Veneklasen was unsure about whether or not to pursue the credit, and deliberated for some time over whether it was a valuable opportunity for the company. After some prompting from their CPA, and some assurance that their everyday activities fell within the parameters of the R&D Tax Credit, Wdowiak said that it was "a completely worthwhile use of our time and resources."

Business owners are using this credit as a means to expand service lines, hire new employees or to pad their savings for something in the future.

"We are offsetting our tax liability as a result," Wdowiak said, "and everyone at Veneklasen Associates is thrilled with the possibilities this will provide for our company down the line."



The lighting experiences that A/V contractors routinely create for their clients often qualify them for the Research and Development Tax Credit, a valuable government-sponsored benefit designed to reward companies that are rising to the technical challenges of their industries.

DIFFERENTIATION AND DIGITAL DISRUPTION

We've yet to see how disruptive the consumerization for A/V will truly be. It's true that Silicon Valley and the emergence of the Internet of Things has encroached on the space, if only marginally.

Things are still shifting, if slowly, but there's still a safe distance between today and a truly hardware-free world. There are still quite a few things that you can do that smart technology can't, evidenced best by the fact that A/V products and services could top \$114 billion this year.

Your ability to assimilate new devices with legacy machines is a powerful tool and is exactly the type of activity that is rewarded by the R&D credit. So is your rigging know-how, and your lighting expertise. But most important to your customers, smart technology can't truly gauge your clients' experiential reaction to your work, be it the clean audio of a church's immersive sound system, a hypnotic light show or watching the kiss cam on a jumbo screen at a game. A/V integrators are in the business of creating new sensory experiences, and to accomplish that, you're going to have to invest in quality material, training and experimentation—the exact sort of investments the R&D Tax Credit was designed to reward.

"Our motivation is driven by a desire to impact a science, and create spaces that people enjoy," according to Venekalsen.

Considering the potential value on the table, I highly recommend that you consider the R&D Tax Credit if you are interested in increasing margins, hiring more employees, bidding on larger projects and staying competitive. [a](#)



Tracy Lustyan regularly lends tax guidance to systems integration and technology business owners who are seeking a better understanding of how the tax law can provide an immediate benefit to their companies. Tracy is a Managing Director at alliantgroup—a national tax consultancy that works alongside CPAs to uncover government-sponsored benefits for innovative businesses.

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