

CONTEMPORARY FURNITURE MANUFACTURER BENEFITS FROM R&D TAX CREDITS

BACKGROUND:

DESIRON, a celebrated contemporary home furnishings company in Kenilworth New Jersey was started by Frank Carfaro who serves as President and Creative Director. A native East-Coaster, Carfaro is a third generation ironsmith whose family emigrated from Turino, Italy in 1921. Frank attributes his passion for craftsmanship and design to his grandfather who taught ironwork. He continued his studies at Rutgers College, University of Grenoble, La Sorbonne and L'Ecole des Beaux Arts. Although a student of the arts, Frank went to work on Wall Street. Instead of pursuing a long career there he decided to marry his business savvy with his passion for design and artisanal craftsmanship. The result: in 1997 he founded DESIRON. One year following its debut, the company sold over \$1 million dollars of signature product. DESIRON is committed to producing Eco-Friendly, American-made home furnishings that elevate sophistication in any space.

In May of 2014 Mr. Carfaro called New Jersey Manufacturing Extension Program, Inc. (NJMEP) to hear more about its programs and services. An appointment was scheduled. NJMEP Account Manager Bob Salamone met with Mr. Carfaro to explain the programs and services and a follow-up meeting was scheduled to conduct a complimentary assessment.

CHALLENGE:

Being a former Wall Streeter and financially savvy, Frank was particularly interested in learning more about the R & D Tax Credit that Bob explained and how DESIRON could benefit from it. Because new designs are critical to the company's success it is a perfect candidate for R&D Tax Credits.

R&D Tax Credit is a general business tax credit under Internal Revenue Code section 41 for companies that incur research and development (R&D) costs in the United States. It became a permanent tax credit that leaves businesses with more money to use for investments and hiring as part of the Protecting Americans from Tax Hikes Act (PATH) of 2015. Although many manufacturers are not aware of the Tax Credit, manufacturers in the United States perform more than three quarters of all private-sector R&D in the nation according to the Bureau of Economic Analysis, National Economic Accounts by Industry, 2013.

SOLUTION:

NJMEP brought in its R&D Tax Credit expert to talk with Frank. He explained the credit in detail and explained what needed to happen for DESIRON to take advantage of it. His group would work closely with Desiron throughout the entire process.

First qualified research and development activities were identified. Upon completing the list of qualified activities, the financial group began its work to determine all qualifying expenses (wages, supply expenses, and contract expenses) attributable to the identified research efforts. Upon completion of the work, NJMEP supplied DESIRON the Financial Work papers in a preliminary form to use for filing DESIRON's Federal and State tax returns who reviewed the documentation. Once approved the final R&D Tax Credit Study was delivered.

After working with NJMEP on R&D Tax Credits, DESIRON now was in the position to capture qualifying activities as they occurred, making it much easier to utilize the credit in subsequent years.

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RESULTS:

When completing the independent NIST Survey, Mr. Carfaro reported the impact of the project as:

- A cost saving of \$50,000
- An additional \$75,000 available to invest in new Processes & Practices

Mr. Carfaro is currently investing in his company and its employees by working with NJMEP to implement Lean Manufacturing processes in its organization.

When asked about the experience and benefits of working with NJMEP and its resource, Mr. Carfaro explained, “As a manufacturer of contemporary furniture we invest a great deal of time designing new product, researching new materials and testing materials on designs. The Research & Development Qualified Research Analysis & Tax Credit Estimate that NJMEP provided identified many areas of our business that meet the requirements to qualify for these credits. As a result, we have improved cash flow and have been able to reinvest in the company and its employees.”

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- Contingency and Emergency Planning
- Destination Innovation
- Energy Alliance Program
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- Human Resources Solutions
- Lean Business Solutions
- Quality Management Systems & ISO
- R&D Tax Credits
- Six Sigma
- Supply Chain, Transportation and Logistics Services

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