

## **INNOVATION AND TAX CREDITS PAY OFF FOR MACHINE MANUFACTURER**

### **BACKGROUND:**

Unlike many of its competitors, **Catbridge Machinery** conceptualizes, engineers, builds, programs, calibrates and tunes every piece of equipment it sells. The company works closely with its customers who provide input throughout the entire process. The company is well known in the converting machine industry for its ability to create unique solutions to meet its customers' needs. Catbridge's investment in Research and Development (R&D) is why manufacturers look to them when in need of a new piece of equipment. The company employs 40 people in its Troy Hills New Jersey facility and has \$10 million dollars in annual sales.

### **CHALLENGE:**

Catbridge Machinery first met New Jersey Manufacturing Extension Program, Inc., (NJMEP) in 2004 as a result of a telemarketing call. In 2007 the company began working with NJMEP to maximize benefits from the R & D Tax Credit, which would enable the company to not only to continue, but to increase its research activities.

### **SOLUTION:**

NJMEP would prepare the technical support documentation for Catbridge Machinery's R&D tax credit claims. The process began in 2006 and has continued through 2013. These technical project reports do not have to contain all the knowledge developed about each project, and they need not be in such detail that a reader could reproduce the results from NJMEP's reports. Rather, the report's objective is to demonstrate that the activities were indeed "R&D" within the meaning of the credit and its guidelines. The report highlights not only the successful outcomes, but also in particular the doubts, difficulties, unsuccessful experiments etc. that marked the course of the development efforts during each specific tax year.

Preparing these reports is a multi-phase process that consists of:

- Working with Catbridge to determine and finalize the cost figures so as to arrive at a final R&D cost estimate for the tax year in question. These costs are used to calculate final figures for the federal tax credits.
- Presenting estimates and calculations in a manner suitable for inspection by the IRS.
- Meeting with Catbridge's senior technical staff to create project headings for each tax year involved and obtain details of the project work.
- Translating the project notes into good technical English.
- Assuring each project report best addresses the requirements of the IRS, without loss of accuracy.
- Submitting the finalized calculations and the draft reports for the tax year.
- Catbridge Machinery then reviews the reports and financial numbers to assure their accuracy. Upon approval, three copies of the bound reports, the financial cost estimate and tax credit calculation for the tax year are provided.

### **RESULTS:**

- In the seven years of filing R&D Tax credits with NJMEP Catbridge received over \$700,000 in credits.

#### **Connect with NJMEP:**



- In the most recent survey conducted by NIST Catbridge realized a cost saving of \$120,000 and was able to invest \$50,000 in new products and processes and \$40,000 for information systems.
- As a result of the of R&D Tax credits, Catbridge has expanded its R&D efforts and remains a leader in the converting machinery industry.
- Catbridge now has 55 employees and sales are over \$15M for 2013.

**Bill Christman, the Vice President of Catbridge Machinery, noted, “I have found NJMEP to be a helpful resource for our company. NJMEP is reliable, professional and able to deliver an effective service that has made a respectable contribution to our growth and development here in New Jersey. NJMEP introduced the R&D Tax Credit program, enabling Catbridge Machinery to recover considerable R&D tax credits. This is very helpful and NJMEP made this possible for us.”**

## **NJMEP'S MAIN SERVICE AREAS:**

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

### **Connect with NJMEP:**

