

PARKWAY KEW SCORES BIG WITH R&D TAX CREDITS INNOVATION DRIVES BUSINESS FORWARD

BACKGROUND

Parkway Kew Corp was established in 1952 by Eugene Walter Klien, a welding supply salesman. A partnership with Parkway Welding in 1953 helped create a foundation that could support consistent growth and innovation. Currently, its headquarters is in North Brunswick, New Jersey, and has been Parkway Kew Corp's home since 1999.

Leadership is constantly looking toward the future. A family-orientated culture, commitment to continuous improvement, and innovative thinking created a business that provides its customers with the highest quality products. Parkway Kew Corp offers customers a wide selection of hard surfacing options for use in a variety of industries. Its main areas of business include oil & gas, wire mills, and shipping terminals but can support any industry that has worn parts.

CHALLENGE

Competition is fierce in Parkway Kew's industry. Parkway Kew manufactures highly custom and specialized products. The company is constantly evaluating its business to find new ways to provide more value to their customers. Consistently working to maintain their cutting-edge operation through investments in new equipment, technologies, and personnel is extraordinarily expensive. Ensuring cash flow can both cover new investments and carry them over to the next job is vital.

"We are and have to be the leader," stated Eugene Klein Sr., President, Parkway Kew.

COVID-19 put a tremendous amount of pressure on the business as well. Sales dropped and their customers weren't as active as originally projected. This dip in business, coupled with the company's commitment to continuously investing in their equipment and workforce encouraged leadership to begin considering different ways to help bring in some additional capital. After a recommendation, a solution was discovered.

SOLUTION

After consulting with their NJMEP Account Manager, it was identified that Parkway Kew would be an ideal candidate for R&D Tax Credits.

NJMEP worked with Parkway Kew and took an extremely close look at their facility and operations. An in-depth study was performed which determined that the client could be eligible for tax credits. NJMEP went to work identifying the right resource to help the client to outline and document the four qualifying criteria below:

- The goal must be to discover some technological information that does not already exist within the organization.
- There must be a level of technical uncertainty related to the product or process development.
- Any qualifying event must have a process of experimentation to prove or disprove a technical theory.
- The research must have goals attributable to function, efficiency, capacity, or other performance criteria.

Once the preliminary information and eligible R&D costs were reviewed by NJMEP, they were combined with information relating to gross revenue and other factors that allowed NJMEP to provide Parkway Kew with an approximate Federal R&D tax credit.

NJMEP then proceeded to prepare the technical support documentation for Parkway Kew. The report outlines and demonstrates the activities that qualify as "R&D" within the meaning of the credit and its guidelines.

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The Entire R&D Tax Credit Process Includes:

- Reviewing the list of development projects and selected eligible R&D projects
- Client preparing a narrative or description of each project for the accounting firm's review.
- The accounting firm reviewed the narrative and made some revisions to eliminate ineligible areas or activities
- The client supplied information enabling the accounting firm to allocate costs to the eligible projects
- NJMEP worked with the client to gather costs related to the R&D projects
- The accounting firm prepared the necessary tax forms and submitted the tax return and R&D tax credit on the client's behalf

Every step of the way NJMEP worked with Parkway Kew to help them secure the largest possible R&D Tax Credit. Innovation and a commitment to continuous improvement ensure Parkway Kew will continue to lead their industry. The R&D Tax Credits they received gave them the ability to remain competitive and continue to innovate, even in a COVID-19 business environment.

RESULTS

Parkway Kew identified a substantial financial impact from the work NJMEP conducted over 2019-2020.

- **INCREASED SALES: \$100,000**
- **RETAINED SALES: \$50,000**
- **EMPLOYEE CREATION: 4**
- **EMPLOYEE RETAINED: 16**
- **COST SAVINGS: \$15,000**

"[Working with NJMEP] worked well for us. R&D Tax Credits allows us to recoup some of our losses. We would continue to innovate regardless but if they want to help us recoup some of that investment, we'd be happy to take the support!"

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