

# MAGMASOFT

# MATIMES

## Qualifying for Research & Experimentation TAX CREDITS with the use of MAGMASOFT®

As global competition continues to increase, metalcasters find the need to further reduce costs and improve efficiency by implementing various forms of technology into their day-to-day operations. Companies have taken steps to utilize MAGMASOFT® to aid in the development and improvement of part design, gating/riser layouts and casting process development, which results in cost savings and improves the relationship with their customers.

Companies have been able to utilize MAGMASOFT® by either purchasing the software or working with MAGMA's engineering service group. However, there are metalcasting companies that would like to be able to take advantage of this technology, but find it difficult at times when operating budgets are restricted.

For metalcasters who are facing such budget obstacles, the Research & Experimentation (R&E) Tax Credit may be a solution. The R&E Tax Credit was created to increase the competitiveness of the American manufacturing industry and can be a valuable resource to our nation's metalcasters. The R&E Tax Credit, available to all entities filing a federal tax return, is a wage-based credit. It has been in existence since 1981, but recent regulations have changed the definition of qualified research activities and the associated recordkeeping requirements. Many companies that were not previously eligible may now take advantage of this federal tax credit, which can be applied toward the purchase of MAGMASOFT software or toward working with MAGMA's engineering service group. In addition to the Federal credit, several states have their own credit programs.

### Qualifying for R&E Tax Credits through Engineering Contract Service

Engineering contract services usually consists of performing simulations in some of the following areas:

- Casting design improvements to reduce or eliminate stress and distortion
- Gating/riser layouts
- Yield improvements
- Correct water cooling line placements for high pressure die casting and permanent mold applications
- Cycle time reductions
- Mechanical property improvements

Potentially, up to 65% of the fees paid for engineering contract work, can be included in the calculation of the tax credit, plus the cost of the company's labor for the time spent developing the casting process or improving the process for an existing job.

### Qualify for R&E Tax Credits by utilizing MAGMASOFT®

Current MAGMASOFT® customers can apply the time that their employees spend utilizing the software. Every time that MAGMASOFT® is utilized, it is being implemented to eliminate technological uncertainty about the manufacturing process or the design of a particular casting. Simulations are carried out to consider multiple gating and risering solutions to improve the casting process.

For example, engineers that use MAGMASOFT® to design a new gating layout may consider the time spent for:

- Developing CAD models used for simulation
- Setting up a MAGMASOFT® simulation and interpreting the results
- Discussing the results with internal groups and customers to finalize design and/or process criteria or identify other options
- Tooling design changes based on simulation findings
- Casting trial runs based off of the simulation results
- Metallurgical tests performed on sample castings

It is important to note that the actual expenditure to purchase a casting process simulation package like MAGMASOFT® or a module upgrade would not qualify. It is the employees' time spent on some of the examples listed above that can be applied to tax credits, which could then be used to purchase MAGMASOFT®, carry out engineering contract service work, upgrade foundry equipment and so forth.

The tax credit was re-enacted recently, and now runs through December 31, 2009.

For further information on qualifying for R&E Tax Credit can be found out at [www.mppw.com](http://www.mppw.com) or contact Richard L. Wile at MPP&W P.C. at [rwile@mppw.com](mailto:rwile@mppw.com)

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