

The Top 5 Tax Incentives Available to Manufacturers

Manufacturing companies can take advantage of various tax credits, deductions, and depreciation options to minimize their tax liability. Let's review the top five available this year.

Number one: R&D credits for new or improved processes or products are often a missed opportunity. This federal credit allows a credit of up to 10% of the eligible expense, and most states also offer an R&D credit opportunity. The credit can be utilized to offset income tax and can be carried forward up to 20 years with no limit on how much credit can be generated.

Number two: The Wisconsin Manufacturing Tax Credit applies to those businesses that own or rent personal manufacturing or agriculture property in Wisconsin. This credit is 7½% of eligible, qualified production activities income. With a maximum Wisconsin tax rate of 7.65% for individuals, this credit will virtually eliminate the Wisconsin tax on manufacturing and agriculture income.

Three: If you hire individuals from a specific disadvantaged targeted group, you could be eligible for the work opportunity tax credit. The amount of credit will vary depending on the targeted group and amount of wages paid per employee in the group and is available through 2025.

Number four: Section 179 Expensing of Qualified Improvement Property offers a deduction of up to one million dollars on improvements to the interior of your building. There is also a temporary 100% bonus depreciation available for qualified property acquired and placed in service before January 1, 2023.

And finally, the Qualified Business Income Deduction, known as QBI or Section 199A Deduction, allows a 20% deduction of qualified business income. There are income threshold parameters and deduction limitations, so work with a CPA who understands the complexity of this deduction opportunity.

That's a lot of percentages and numbers to digest. The bottom line is these five, combined with multi-state nexus, sales, and use tax strategies, will help you offset your tax liabilities and should be part of your yearly tax plan.

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