

[Date]

[Client Name]

[Client Company Name]

[Client Address]

[City, State, Zip Code]

RE: Feasibility Assessment for Research and Development (R&D) Tax Credits

Dear [Client Contact Name],

The purpose of this letter is to outline the preliminary feasibility of [Client Company Name] claiming the Research and Development Tax Credit for the tax year(s) [Insert Years]. Based on our initial discussions regarding your business operations, we have identified activities that likely meet the statutory requirements defined under Section 41 of the Internal Revenue Code.

Qualifying Activities Identified:

- [Description of new product development or software engineering]
- [Description of process improvements or manufacturing enhancements]
- [Description of prototype development or testing phases]

The Four-Part Test:

To qualify, your activities must satisfy the following criteria:

1. **Permitted Purpose:** The activity must relate to a new or improved function, performance, reliability, or quality.
2. **Elimination of Uncertainty:** The activity must be intended to discover information to eliminate technical uncertainty.
3. **Process of Experimentation:** The activity must involve a process of evaluating alternatives or testing hypotheses.
4. **Technological in Nature:** The process must rely on the principles of physical science, biological science, engineering, or computer science.

Estimated Qualified Expenses:

Our initial assessment indicates that the following cost categories may be eligible for inclusion in the credit calculation:

- Wages (Box 1 W-2) for employees directly involved or supervising R&D.
- Supplies used in the prototype or experimental process.
- Contract Research expenses paid to third-party developers.

Next Steps:

To move forward with a formal R&D Study and calculate the exact credit amount, we will require the following documentation:

- Detailed payroll records for the relevant period.
- Project descriptions and technical documentation.
- General ledger detail for supply and contractor costs.

Please review this summary and let us know when you are ready to proceed with the comprehensive quantitative and qualitative analysis.

Sincerely,

[Your Name]

[Your Title]

[Your Firm Name]