



ABOVE An SR&ED tax credit partially funded an experiment conducted by Coolearth Architecture to improve the accuracy of energy models in their design process. Using the eRM software, the firm modelled the flow of heat at the joints of two different insulated metal panel products to predict the effect of thermal bridging.

COULD YOUR FIRM BE CLAIMING THIS TAX CREDIT?

As tax season approaches, architects should know about a generous tax credit that may be available to them. The Scientific Research and Experimental Development Tax Incentive Program (SR&ED) encourages Canadian businesses in all sectors to conduct research and development in Canada. In 2013, the federal government gave out \$3.4 billion in refundable income tax credits through the program to 22,000 businesses of all sizes.

Although the program name sounds intimidating, SR&ED is intended for many kinds of research and development—not just high-tech. The program covers design, development and engineering for improved materials, products and processes in fields ranging from software development to agriculture. Salaries, materials and consultant costs can all be claimed.

Claimants receive a refundable income tax credit of 15% to 35% on these R&D expenses. Many provinces run parallel programs that provide an additional 10% to 20% in tax credits. In total, small and mid-sized companies typically receive refunds for around 50% of qualifying expenses.

“Many architects are not aware of the program, or they assume that they do not qualify,” says Theo Meimar, Vice President of R&D Tax Solutions, a consultancy that has helped several architecture firms apply for the credit. The program, he explains, supports initiatives that involve significant technological risks or uncertainties. One litmus test is asking: is there the possibility of failure? “Taking technological risks often creates new knowledge,” says Meimar. “Even projects that are not successful (ie., white elephants) can qualify. We can learn from our failures.”

Diamond Schmitt Architects has applied for the program yearly since it was first brought to their attention. “At our firm, we pursue innovative design solutions all the time,” says principal Helen Kabriel.

They’ve received credits for such initiatives as developing a cost-effective, long-span skylight for a building at Wilfrid Laurier School of Business

and Economics using leading-edge steel and glass technology and expertise. This technological advancement may have been achieved elsewhere, but Diamond Schmitt was not privy to the knowledge of how to build it at the time. They’ve also successfully applied for the costs of developing their Canadian High Arctic Research Station competition entry. Even though they were not selected as the winning team, the entry involved research into designing for a harsh climate and transportation logistics in the Far North.

An installation that Diamond Schmitt Architects produced for Toronto’s Luminato Festival qualified for the program. Exhibited in David Pecault Square, it involved a series of robotic wind socks that were choreographed to move to music.

Sheena Sharp, FRAIC, former OAA President and principal of Coolearth Architecture, has also taken advantage of the program. “It takes a lot of experimentation and research in order to offer your clients appropriate service,” she says. “The SR&ED program assists in doing that.” In the case of her small firm, which specializes in sustainable architecture, she regularly faces challenges that go beyond standard practice, such as developing a deep understanding of energy-modelling software. She found that SR&ED was able to defray some of these costs, which often go beyond billable hours. Sharp does note that “as a small firm, the owners do a fair amount of the billable work but are not paid hourly,” so as a result, much of the time expended does not qualify. “That said, the program has been important to our ability to deliver innovative services.”

While the paperwork—or the alternative of using an intermediary to apply—may be daunting, the high incentives make this program worth considering as part of a firm’s financial toolbox. Practices of all sizes could potentially benefit from this program, designed to help them do their work better—and more profitably.

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