



MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 6 Transcript

Announcer: 0:05

Welcome to the maximize business value podcast. This podcast is brought to you by Mastery Partners where our mission is to equip business owners to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over a hundred business transactions, which fuels our desire to share our experiences and wisdom so you can succeed. Now, here's your host, CEO of mastery partners, Tom Bronson.

Tom Bronson: 0:37

Hi, this is Tom Bronson and welcome to maximize business value, a podcast for business leaders who are passionate about building long-term sustainable value in their businesses. In this episode, since there has been kind of a run on the banks for SBA loans recently, I thought it'd be a nice change of pace to explore other ways to put money back into small businesses. I'd like to welcome our guest for this podcast, Lindsey Polyak. She is principal at a tax credit collective. Uh, I recently met Lindsay and it didn't take me long to realize how beneficial tax credits can be for our listeners. So welcome to maximize business value. Lindsay, tell us just a little bit about your business tax credit collective.

Lindsay Polyak: 1:30

Thanks Tom. Glad to be here today. Tax credit collective is a Dallas based tax credits and incentives firm. Uh, it was founded by my business partner Joshua Massoud, who's a tax attorney and myself and we eat, sleep and breathe tax credits for small to midsize

businesses. We help them and their CPAs to capture, maximize and defend these credits to really give them a leg up in their business space.

Tom Bronson: 2:00

So what's your background and how did you and your partner decide to start this business to help others capture those tax credit savings?

Lindsay Polyak: 2:10

My background has been in the accounting industry for about 12 years. Have always been focused on cashflow for small to midsize businesses, whatever, uh, the firms that I was working with, whatever we could do to increase cashflow, it's a passion of mine. Uh, when you take a look at a small business owner, they need cash, right? They need to keep the doors open. My business partners, like I mentioned, a tax attorney, his background since he got out of law school was tax incentives and credits. And he and I met a couple of years ago when we were both working at a firm together. He was a very much a mentor to me in this space. Helped me to discover how incentives and credits can bring a lot of cash to small businesses. And it was just instantly something I jumped into and love because when you can bring a business owner tax credits, uh, it's, it's like bringing the money that they left on the table and it's a lot of fun.

Tom Bronson: 3:09

So, uh, so tax credits really are about, you know, taking money away from the government and putting it in the hands of small businesses that uh, is that a reasonable, um, way to characterize it?

Lindsay Polyak: 3:23

Yeah, it's taking advantage of programs that the government already has in place to give money out. And most of the time this money is captured by bigger businesses. So we look for ways to get it in the hand of their smaller competitors.

Tom Bronson: 3:39

I love that. If you get up every day with the intent of getting money out of the hands of the government and into the hands of the people that are productive with it, then hallelujah. I love you guys. So when we talked recently, you mentioned a big problem small to midsize businesses face and how tax credit collectives can help solve that. Could you tell us more about that?

Lindsay Polyak: 4:01

Yeah. Tom, did you know that government gives away about a hundred billion with a capital B dollars in tax credits and incentives every year, the federal government a hundred million dollars in incentives, the majority of that money goes to fortune 500 businesses. Um, there are multiple different types of tax credits and incentives, but the one that's the most lucrative federal tax credit, uh, gets gobbled up by these fortune 500 as well. Only 17% of eligible small to midsize businesses capture that most lucrative federal credit. So I would suggest that a small business does all the same kind of stuff that the big businesses are doing. They're just, they're not in the know, they don't have the internal resources to go after these credits. Maybe their CPAs and advisors aren't necessarily aware of them, and so they miss out on these opportunities while their bigger competitors are very keen on taking these credits.

Tom Bronson: 5:14

Holy cow, a hundred billion dollars. Is there any particular industries that should be thinking about tax credits?

Lindsay Polyak: 5:24

These credits are available to almost any industry and businesses of any size. The credit that I alluded to, I call it the most lucrative federal tax credit, is the research and development credit. We call it the R and D credit. And many businesses think that unless they're in a bio-science lab wearing white lab coat, looking in a microscope, holding a beaker, that they're probably not eligible. And bio-science companies definitely could be eligible because they're doing this. That would involve R and D, but a lot of other industries are too. We commonly help businesses in engineering and architecture and construction and manufacturing and software development and oil and gas and

agriculture. We help those industry verticals capture this particular credit as well. So don't just think you have to be in the lab to capture that R and D credits.

Tom Bronson: 6:26

Yeah, so the, so that's kind of the biggie, right? The R and D credit that's available out there. And you're right. I mean, so many business owners think, well that's, you know, for somebody who manufactures something or they make something new, but, but so many other industries can benefit from that. I came out of the software industry in my last business, uh, and uh, in that, that's huge. Tax credits are huge, uh, in software and development. If you think about the process of developing software, uh, as R and, D, it really is, right. You're paying people in through research and development, uh, and so many other industries can, can really, really benefit from that. So, so, um, you know, it, it, it does make me a little bit, um, angry that, uh, that big business gets the benefit of all of these and small businesses don't. And part of that is what you just said. They don't have the infrastructure in place and their advisors just don't know what is available out there. So, so let's educate business owners for a second. What does the process look like to go after tax credits? When you guys get involved, what does it look like?

Lindsay Polyak: 7:37

Sure. So it involves taking a look at what they're doing from a an activities level, looking at what they're spending on those activities, determining if those are qualifying activities and qualifying expenditures and then taking a look at their tax scenario. Do they have tax liability that they owe? Uh, if credits are available to them, could they utilize those credits? So it's part of a broader conversation where involving their tax advisors or their CPA could be very important at that point. Uh, but our job is to help the business owner and their CPA figure out are there credits available? If so, how much? So that they can determine if the juice is worth the squeeze, if there are any issues to claiming those credits. And then if they want our assistance and claiming those credits, we fully research and document them as if they were going to be audited down the road and prepare the forms and documentation necessary for their tax accountants to go help them claim them. And then if they are ever questioned down the road, we defend credits to the nail. That's

my business partner's expertise has been for many years. Uh, so it's kind of a holistic approach to what's available and how can we help you get it right.

Tom Bronson: 9:07

Yeah. You, you, when you started to answer that question, you've mentioned, you know, if you, uh, if you pay taxes or if you've got, you know, tax liability. What about for startups? What about for businesses that are investing heavily in R and D from the beginning? Is there a way to take advantage of tax credits even then?

Lindsay Polyak: 9:27

Yes, there is, that's a great question. You know, a lot of small businesses and startups spend a lot of money in the beginning on research and development type activities. Uh, the government created a payroll tax offset as a way to utilize the R and D credit in the beginning years when you don't yet have federal tax liability. So taking that credit and applying it to the businesses FICA there, uh, OASDI that 6.25% of payroll tax that the employer has to pay. You can use it if you meet some certain criteria which involves, uh, having under \$5 million per year of revenue and having received revenue for less than five years, you can apply that credit up to \$250,000 per year of tax payroll tax. So that's a good way for business owners to use it.

Tom Bronson: 10:23

Okay. Mind blown mind blown. I that you just took me down a path that I didn't know existed. That is awesome. And that is huge news, especially for startups so they can use it, uh, if the circumstances are right to offset some of those payroll taxes that they're having to pay ongoing.

Lindsay Polyak: 10:41

Wow. Yeah. So that's why it's a good idea to have that conversation sooner rather than later because you don't want that time to slip by and you also don't want to get past that revenue threshold where you're not using it.

Tom Bronson: 10:55

Yeah, no kidding. Boy that is great. Great news. So we're talking with Lindsey Pollock

Announcer: 11:01

tax credits. We're going to take a quick break back in 30 seconds. Mastery partners equips business owners to maximize business value so they can transition on their own terms using our four step process. We start with a snapshot of what are your businesses today. Then we help you understand where you want to be and design a custom strategy to get you there. Next you execute that strategy with the help of our amazing resource network and ultimately we help you transition your business on your terms. What are you waiting for? More time, more revenue. If you want to maximize your business value, it takes time. Now is the time. Get started today by checking this out @masterypartnersdotcom or email us at info at masterypartners.com

Tom Bronson: 11:58

we're back with Lindsey Polyock of tax credit collective. Lindsey, most companies have been focused on EIDM well and the payroll protection loans offered by the SBA for the last several weeks. That money seems to be gone, at least in the present round. You know, who knows if they'll go on to future rounds. So, but what we want to think about ways that we can get money in the hands of small business owners. So we talked about the R and D tax credit and kind of qualifying activities. What are some of the qualifying activities a business would need to be doing to qualify for the R and D tax credit?

Lindsay Polyak: 12:40

Well, one way to look at it is, uh, by taking a look at the four part test that the IRS has put into IRC 41 and to avoid some very sleepy bedtime reading. Uh, the overview is that if your business is making or improving a product, a process formula, invention, software or technique, and you're wanting to make qualitative improvements in terms of speed, reliability, performance, uh, you're gonna have some doubts as to whether you can make those improvements or how you're going to make them. Or generally what we see is what's the final version going to look like? You, you came from the software industry, right? When you go through making qualitative improvements to a tech platform, you

don't know what the final version is going to be when you roll it out to market. So you're going to go through a process of experimentation aimed at achieving a result to figure that out. It's going to be more specific than just throwing spaghetti on the wall to see if it sticks. You're going to go through alpha testing and beta testing and debugging and your code. It's just inherent in the process of software development. And as long as your business's process of experimentation, uh, has to do with hard sciences such as physical science, biological science, computer science, or engineering, you've met the four part test to capture the R and D credit. So you can see there's a lot of different ways that this plays out in the various industries that I talked about. Uh, when you look at this test.

Tom Bronson: 14:26

So, uh, so we've talked about the R and D credit cause that's a, that's a biggie, right? Or are there other, other types? How many other tax credits are there out there available?

Lindsay Polyak: 14:36

Sure, sure. So we talked about the federal R and D credit. There are state R and D credits that piggyback on top of it. Multiple States have credits and they all look a little bit different. Some of them are application-based, some of them, various deadlines involved, different criteria. So it's important that, uh, you know, what you're dealing with with all of the different States because those can be very lucrative as well. There's credits for training people and hiring people, uh, their credits and incentives available, uh, for buildings that you own and improve, uh, their credits available for export companies that we help them capture when they're exporting goods overseas. And you know, when your business is growing or moving or creating jobs, you can negotiate incentives with the counties or the cities or the States that you're moving to. So there's lots of opportunities to get your hands on tax credits and it's important that you work with somebody who understands those and can help you access them for your business.

Tom Bronson: 15:47

That's awesome. So, so how quickly, I mean, we're trying to get money into the hands of a business owner, right? And, and that, that they can invest in their businesses. I mean, we're all about maximize business value, right? How do you improve the value of your business?

And this is a key way. How quickly can businesses see real results when kind of going through the process of tax credit?

Lindsay Polyak: 16:10

That's a fair question. So our process gets them to at least a number so they know what they're dealing with within a few weeks. And then getting to be able to file a within a month or two after that. And then the IRS has legally 90 days to issue refunds to taxpayers before they owe the taxpayer interest. And we all know they like to collect interest, but they don't like to pay it as much. So, uh, you've typically got 90 days before you're going to see a check from the IRS. But lately the IRS has been tasked, uh, and is under intense scrutiny about refunds. They are laser focused on getting refunds out to taxpayers right now. And so if there ever was a great time to get money back from them quickly is right now.

Tom Bronson: 17:02

That's awesome. Um, yeah, they, so they have 90 days to pay out a refund or they can, or we can start charging interest. Um, is, are, are there penalties that we can charge them too? Because if I don't pay my taxes on time, I get interest penalty. I can't do that. Awesome. You know, there's, there's a lot of.

Lindsay Polyak: 17:26

Practically speaking you're going to see money faster.

Tom Bronson: 17:30

Yeah, yeah, yeah. Well, and it's really not that different really. I mean honestly in, in a couple of weeks and then another 30 days to file and then, you know, it's almost as fast as going out and securing, um, debt, um, uh, it's, it's sometimes faster than going out and securing equity financing, uh, for sure. And so it's a, it's an interesting twist on that. I'm glad that you've kind of enlightened me on that.

Lindsay Polyak: 17:55

Uh, I think what I understood you to say is, you know, uh, business owners should really explore this because regardless of what their need is, there is, there is there could be opportunity for them to pick up money that's on the table. Is that right?

Lindsay Polyak: 18:54

You know, Tom companies may already be doing this stuff and things that can help them capture these tax credits. So why would it, they want to take a look to see if there's any money that they're leaving on the table that they can quickly get their hands on. It just, it seems like a good opportunity to me.

Tom Bronson: 19:11

Well, you're right, you know, a lot of businesses are out there raising capital or thinking about capital. Look, I've sat in the CEO seat, you know, for a very long time. Cash is King, right? I talk to people about that all the time. And, and you know, interestingly, um, I'll bet small business owners who are doing fine, uh, you know, delivering a decent bottom line aren't thinking about this, that they could actually prove that bottom line. And why wouldn't I, you know, mostly you think about businesses that get in trouble, uh, that need capital. But that is an excellent point that all businesses should at least have a look at this, right?

Lindsay Polyak: 19:54

Yeah. What could you do with additional capital and how could this improve your business processes? If you knew that particular activities led to additional income from the government, would that change the way you do business in some areas?

Tom Bronson: 20:07

Absolutely. Absolutely. And it could have a significant impact on the longterm value of the business. So, so this has been great. Uh, tell me, you know, there are other tax credit firms out there. What really sets you guys apart from everybody else out there?

Lindsay Polyak: 20:25

We're local to Dallas Fort worth. We provide partner-level service to our clients. They're going to get care and attention that they may not get at a larger national firm where they're serviced by an associates. So our focus is on the DFW market and a smaller ancillary markets to help CPAs and business owners here in North Texas really hone in on credits and incentives. They can make a big difference for their business.

Tom Bronson: 20:57

That is awesome. That is awesome. So one last question. This podcast as we've said, is all about maximizing business value. It's interestingly, you know, also the title of my book. They came out in January. You can find that right on our website. Uh, maximize business value. What are the most important things that you recommend business owners to do now to find out if they qualify, if they, to take advantage of this and, and use tax credits to improve the value of their business. What if you were giving advice to a business owner? What would you tell them to do?

Lindsay Polyak: 21:35

You've probably got downtime right now. You're not traveling, you're not in back to back meetings and driving around every day. You may have a little time and margin to look at this right now, whereas you normally wouldn't. Number two conversations about this stuff are always complimentary. So, uh, take 20 minutes to have a conversation to see if you're sitting on money. Number three, that payroll tax offset that we talked about earlier is something that you can only file for current year. So we can't go back in a min for prior payroll tax returns to get you that money back. So you might want to get on that sooner than later to get that money apply

Tom Bronson: 22:14

Now for that, when you say that the business needs to be under 5 million, is that correct? And revenue in that year, right? So Hey business owners, that's intra year, right? It's now you need to do that. So what if we're in may, let's say in June someone has a conversation

with you and they've paid some of that payroll tax already, right? They're current on there and they get that back in the current year,

Lindsay Polyak: 22:41

we will, we will help them to start, use it using it on their next quarterly payroll tax return. Okay. So sooner than later. And then I would say my last point is like we said, the IRS is focused on this, but our pay, our, our tax deadline has been moved to the summer. So if, if there's going to be any potential of a bottleneck with tax filings and refunds, let's get you to the front of the line now instead of waiting until June.

Tom Bronson: 23:10

That's a, that is a great, great piece of advice. While this has been fun, so, uh, here's my bonus question. I always ask my guests, um, and, and Lindsay, since I know you a little bit, you're going to have to limit this to one thing. Um, but what is the personality trait that has gotten you into the most trouble throughout the years? Just one. Just one. Sorry. You can't look at, you know, I learned that because when I asked my wife, well, how would I answer that question? You know, she's still talking and I ask, I asked her two weeks ago, right? So yeah,

Lindsay Polyak: 23:47

you already left the room. She's still telling you. I think that the thing that gets me in the worst trouble is that I'm really independent and have this tendency to just move forward and take action and go a little bit rogue on things. And that is not always in everyone's best interests is I have been reminded throughout my life. So I always need checks and balances either on a personal or professional level to reign me in and make me take a step back and say, okay, what's the process here? What needs to be done so that I don't get into trouble?

Tom Bronson: 24:19

Oh, awesome. I think that that is a great, uh, trouble that you can get into. So I really appreciate you spending time with us. How can our viewers and listeners get in touch with you?

Lindsay Polyak: 24:32

Yeah, go check us out at tax credit, collective.com you can connect with me, Lindsey Polyock on LinkedIn. You can connect with my business partner, Joshua Mossad. We're always glad to have a conversation with you and are bit of nerds and love to talk tax credits.

Tom Bronson: 24:48

Awesome. Awesome. Yeah. Thank you Lindsay, for being a part of our program of being our guests today. You can find Lindsey on LinkedIn or at our website tax credit, collective.com or just reach out to us. I'll put you right in touch with her. My cell phone is right on our website. This is the maximize business value podcast where we give practical advice to business owners on how to build longterm, sustainable value in your business, even during challenging times like these. Be sure to tune in each week and follow us wherever you found this podcast and be sure to comment. We love comments and we'll respond to every single one of them. So until next time, I'm Tom Bronson reminding you to stay safe. Wow, you maximize business.

Announcer: 25:40

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Speaker 2: 26:25

[inaudible].

Tom Bronson: 26:27

I wouldn't make any changes on that.