

# ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES

of Indiana

# ACEC Indiana *Short List*

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## Upcoming Events

**March 4, 2006— Sat.**  
**ACEC Indiana  
Engineering  
Excellence Awards  
Banquet  
Marriott North  
Indianapolis**

For more information, go to  
[www.acecindiana.org](http://www.acecindiana.org)

## Member Benefit

*ACEC Indiana expects to receive resumes from Purdue engineering students seeking a variety of employment opportunities.*

*If your firm would like to view these resumes, please email [staff@acecindiana.org](mailto:staff@acecindiana.org)*

*For information on other member benefits, visit the ACEC Indiana Website [www.acecindiana.org](http://www.acecindiana.org)*

## *It's Tax Time!*

### *Using the New "Manufacturer's" Deduction for PE Firms*

*Editors note: With the tax season started, we wanted to refresh all ACEC Indiana member firms of the new U.S. income tax deduction that PE firms can use.*

**What is it?** It is a new deduction available to certain businesses that operate in the U.S. It became effective January 1, 2005. As noted in the June 2005 newsletter, this deduction replaces a tax benefit for exporters of manufactured goods that was deemed an unfair trade practice by the World Trade Organization.

**How is it calculated?** In simplified terms, you take domestic gross receipts on certain qualified activities minus expenses allocated to the receipts from those activities and multiply by 3% (6% in 2007-2009 and 9% thereafter). This amount cannot exceed 50% of the W-2 wages.

**What activities?** The "manufacturing deduction" is not limited to "manufacturing". The deduction is available to a wide variety of domes-

tic producers and certain service providers including those relating to U.S. construction and those relating to engineering or architectural services performed for U.S. construction.

**What is the IRS definition of engineering services?** Professional services requiring engineering education, training, and experience and the application of special knowledge of the mathematical, physical, or engineering sciences to those professional services such as consultation, investigation, evaluation, planning, design, or responsible supervision of construction for the purpose of assuring compliance with plan, specifications, and design. Only those taxpayers engaged on a regular and ongoing basis in a trade or business considered engineering are eligible.

**What if my business is not 100% U.S. construction or engineering related?** That's OK! You just may need to take some extra steps to determine the portion of

your gross receipts that are related to U.S. activities and the portion of your expenses related to those receipts.

### **How do I do this?**

Early in 2005, the IRS issued Notice 2005-14 and then, in late 2005, Proposed Regulations were released. This regulatory guidance should be used as a foundation to develop a reasonable method to calculate the deduction.

We hope you have found this summary on the new Manufacturing Deduction informative. A CPA can consult with you on any impacts of this deduction as it relates to your business.

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