

**Contact Information**

Please contact either of the Crowe tax professionals listed below to learn more about the Section 199 study process:

Tim Barbour
317.706.2762
tim.barbour@crowehorwath.com

Lou Miller
574.236.8661
lou.miller@crowehorwath.com

Section 199 Study

The domestic production deduction – Section 199 of the Internal Revenue Code – can provide substantial tax savings for companies with domestic production activities. Qualifying taxpayers may be able to deduct a percentage of their business income earned from manufacturing and certain other production activities occurring in the United States. The deduction rate starts at 3 percent for tax years beginning in 2005 and 2006. The deduction increases to 6 percent for 2007 through 2009 and will rise to 9 percent for years 2010 and later, resulting in a significant permanent tax benefit for many companies.

What We Do

Crowe Horwath LLP can assist companies in adequately documenting the qualification of company activities under the safe harbor or “substantial in nature” tests. Appropriate methodologies must also be evaluated for transactions that include embedded services or other nonqualifying property, or to properly determine and account for the respective market-rate profit of each activity.

Crowe can also assist you in performing and documenting the Section 199 calculation. Our team of experts will evaluate the expense allocation and apportionment rules under the Section 861 regulations, the special rules required for expanded affiliated groups, and various business structures and arrangements that

add complexity to the calculation process or impact the wage limitation. Our highly skilled and cross-functional team of tax professionals can help you make decisions relating to Section 199 that also consider and optimize other important tax strategies.

Crowe’s team of experts will help you:

- Analyze company activities to determine which receipts qualify;
- Determine your approach to quantifying qualifying receipts and cost of goods sold;
- Determine domestic production gross receipts and related cost of goods sold;
- Allocate and apportion expenses; and
- Calculate the deduction and apply limitations.

The Crowe® Section 199 study process includes a thorough, up-front discussion of your requirements for services and a mutual agreement as to what services will be provided and the related fees.

Crowe utilizes a phased approach to assess the benefit and customize a methodology for calculating and documenting the Section 199 deduction. The phased approach will help ensure the study brings value to your company and is conducted in the most efficient manner possible, with minimal interruption of company personnel.

At the conclusion of a Crowe Section 199 study, we prepare and deliver a comprehensive report detailing the findings about, calculation of, and supporting documentation for the Section 199 deduction. The report also provides suggestions for process improvements and a road map for claiming future Section 199 deductions.

How You Benefit

The Section 199 deduction provides a permanent benefit and can significantly reduce a company's effective tax rate. For any prior open tax years, the Section 199 deduction may be claimed on an amended return – in many cases providing significant cash refunds.

Our multidisciplinary team includes federal, state, and international tax specialists who can help you address your Section 199 challenges and uncertainties. In this new era of transparency and corporate governance, it is important to understand the risks involved in making decisions related to your Section 199 deduction.

About Crowe Horwath LLP

Crowe Horwath LLP is one of the largest public accounting and consulting firms in the United States. Under its core purpose of “Building Value with Values®,” Crowe assists public and private company clients in reaching their goals through audit, tax, advisory, risk, and performance services. With 26 offices and 2,400 personnel, Crowe is recognized by many organizations as one of the country's best places to work. Crowe serves clients worldwide as an independent member of Crowe Horwath International, one of the largest networks in the world, consisting of more than 140 independent accounting and management consulting firms with offices in more than 400 cities around the world.

Under U.S. Treasury rules issued in 2005, we must inform you that any advice in this communication to you was not intended or written to be used, and cannot be used, to avoid any government penalties that may be imposed on a taxpayer.