

Helping Ohio grow

Tax programs that offset the cost of innovation for manufacturers in Ohio

INTERVIEWED BY ADAM BURROUGHS

The outlook for Ohio manufacturers is steady with some growth potential, which is expected to vary by sector. Capital expansion has been minimal, though companies have stronger balance sheets and go-to-market strategies. Still, regardless of sector, challenges seem to overshadow opportunities.

“The main challenge is finding talent,” says Jonathan J. Shoop, CPA, a principal at Skoda Minotti.

He says the trend of re-shoring — bringing overseas jobs back to the U.S. — comes with a paradox: “Manufacturers need qualified candidates, but few are available,” Shoop says. “The market is attempting to address the shortfall by forging job pathways through community colleges.”

Talent shortfalls contribute to innovation impediments — a lack of qualified people or funds make it difficult to run an effective R&D department. Fortunately there are ways to mitigate the costs of the solutions.

Smart Business spoke with Shoop about ways manufacturers can offset expenditures as they pursue innovation.

What can tax incentives do for companies that lack the resources to innovate?

For those companies that lack the people or cash flow needed to innovate, the R&D tax credit can help.

For example, trial fees from partnering with Ohio’s Manufacturing Advocacy & Growth Network (MAGNET) for new product development qualify for R&D credit. Fees related to product innovation, or the exploration or implementation of a new manufacturing philosophy in partnership

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with an outsource engineer can be applied to an R&D tax credit.

Manufacturers can also shift some of the burden of the talent problem to InvestOhio, which has programs tailored to address that issue while offsetting the cost of hiring.

There’s also the Work Opportunity tax credit that provides incentives for hiring from certain target groups, like veterans and felons. It helps defray the costs for training and development.

How can organizations such as MAGNET and WIRE-Net serve as resources for manufacturers?

MAGNET and WIRE-Net can connect manufacturers with outsource engineers that can help tackle large projects. The tax credit would be applicable to both public and private companies and can apply even if both internal and external teams are handling the project.

What can the InvestOhio credit do for Ohio manufacturers?

It’s essentially a 10 percent tax credit — dollar for dollar — that was established



e-book:

For more information on manufacturing solutions, download “Overcoming the Challenges of Today’s Manufacturer” at skodaminotti.com/MFG.

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to facilitate job creation and investment in the state. It can help offset capital improvements, the purchase of real estate and hiring that is done in Ohio. Manufacturers will inevitably invest in their business; InvestOhio allows a company to take advantage of a 10 percent discount while doing it.

How can manufacturer’s improve their administration and office processes?

There are new ways of handling tasks that are performed off the shop floor. While ‘management by walking around’ had been a common method of oversight, multi-location production makes that not as effective, so it’s necessary to manage by reports. Process improvements are increasingly streamlining reporting, with throughput and indirect cost reports helping manufacturers make decisions quicker.

There is also constructive disruption. This method entails looking across office and administrative processes and finding novel improvements. A multi-disciplined team that’s unfamiliar with those processes is assembled to ask questions and suggest improvements.

It’s been said that each manufacturing job creates six jobs up or down stream. The industry is projected to grow 22 percent in the region in the next 10 years, so contrary to what might be considered the common narrative, manufacturing isn’t going away.

For those working in the industry, there are resources available for investment, innovation, talent and even compliance to encourage growth. There are tax incentives, talent and engineering solutions for innovation, and plenty of people here to help strengthen an industry that’s vital to the market. Manufacturers just need to know where to look. ●

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