



# Research credit and meal and entertainment services

Reimagining tax... combining KPMG's tax experience with IBM Watson's cognitive capabilities



KPMG's Accounting Methods and Credit Services (AMCS) practice helps organizations across industries achieve greater tax efficiency and improve their cash flow while at the same time strive to mitigate the risks associated in a regulatory environment.

With a broad range of experience in industries, the AMCS group can advise in many complex types of tax-related issues, including research & development credit and meals & entertainment expenses.

## Research & development credit

KPMG's Research Credit Services (RCS) group assists clients in identifying, calculating, and documenting tax deductions and credits for qualified R&D activities and expenditures. The RCS group deploys a team of tax and accounting professionals, industry-experienced engineers, data and analytics specialists, and technology professionals to help companies obtain, organize, and verify R&D data more efficiently and effectively. By following a tested methodology and leveraging technology, KPMG's RCS professionals build deliverables to help clients realize the available tax benefits associated with their R&D investments.

## Meals & entertainment expenses

Our AMCS professionals have years of experience helping organizations realize more of the tax advantages from their M&E expenses. Our team's combination of experience, the latest tax reform knowledge, data analytics, and a technology-enabled methodology allows us to help companies assess how they apply M&E rules currently, identify areas of potential opportunity and exposure, and design and implement changes to tax processes to take advantage of opportunities, while managing potential exposures.

## IBM Watson: AI for business

An Artificial Intelligence platform for business, IBM Watson's cognitive technology follows the same logic and reasoning that humans use every day. KPMG's AMCS tax professionals train, not program, Watson to enhance, scale, and accelerate tax analysis. With this platform, you can discover corporate tax benefits and risk with greater confidence.

To support the tax function, Watson can:

-  Analyze large volumes of structured and unstructured data at rapid speeds, using natural language processing to better understand M&E expenditures and R&D credit eligible activities
-  Ingest and accumulate high volumes of data and insight continuously from every interaction
-  Understand complex questions and evaluate many possible meanings to determine what is being asked
-  Form hypotheses, make considered arguments, and prioritize recommendations to help tax professionals make better decisions
-  Present answers and solutions based on supporting evidence and quality of information found.

### KPMG Research Credit Services with Watson

Combining KPMG's tax experience with Watson's cognitive capabilities, you can digitally transform your tax review, analysis, and disposition for a wide range of transactions.

To begin the process, KPMG uploads thousands of documents—regardless of file type—into the Watson platform.

KPMG's tax professionals then review Watson's findings from high to low priority, approve or reject each finding, add notations, and highlight additional findings in documents.

Transactions are reviewed and analyzed against tax rules and supported by a confidence score and evidence-based reasoning that uses KPMG's proprietary tax rules, interpretations, and knowledge of the tax law. In the end, your company is able to build a more robust, IRS-ready, R&D credit deliverable.

#### Capabilities include:



Increasing ROI and improving financial return through higher-quality tax credits that can be reinvested for growth. By not limiting the documentation reviewed, you can potentially discover new, eligible R&D activities and costs to increase the credit.



Improving efficiency by minimize disruption to your business with a less intrusive, less time-consuming approach by eliminating human filtering.



Reducing risk by examining all documents and let the AI focus the professional only on the most relevant, valuable passages to qualify projects.



Sustaining value through building a higher-quality R&D credit deliverable to increase credit amount retention under IRS audit.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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### KPMG M&E Tax Services with IBM Watson

KPMG Tax Services with IBM Watson are digitally enabled tax services targeted at companies looking to enhance their tax reporting to government authorities with the aim to improve tax efficiency while remaining compliant.

Harnessing digital capabilities with Watson, KPMG tax professionals are able to use new advanced cognitive analytics and reasoning tools to make quicker and more accurate tax decisions, improving overall efficiency.

Using natural language processing and machine learning capabilities, they are able to understand and engineer key features ("feature engineering") and concepts found within tax transaction data.

The engineered features and concepts are used to create an informed recommendation for a tax disposition for each transaction.

#### Capabilities include:



Identifying a higher volume of 100% deductions (above the traditional 50% rate).



Reducing risk of "haircuts" by expanding sample size and providing more complete transaction analysis.



Improving cash flow as a result of a lower cash tax payment.



Improving record-keeping systems to gather potentially qualified M&E deductions.



Improving documentation.

## Contact us

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