

## **Research & Development Expenses in the Cellar**

The following are separate development activities to consider when evaluating whether you have any Research & Development expenses that are deductible in the current year, as opposed to expenses that are required to be capitalized into inventory.

- Development of improved strains of grapes
- Evaluation and development of soil and rootstock improvement processes
- Development of plant irrigation systems
- Development of new or improved fermentation processes
- Development of new or improved bottling and packaging processes
- Development and testing of new or improved corks
- Development of new or improved ingredient processing techniques
- Development of filtration methodologies
- Development of new or improved water recycling or waste management processes
- Development of new or improved fermentation or bottling equipment
- Development of new or improved product formulations
- Development of ingredient mixing methodologies
- Development of new or improved product prototype batches
- Development of flavor or aroma profiles
- Development of new or improved preservative chemicals
- Testing of new or improved products to ensure consistency
- Testing of new or improved products to ensure shelf life
- Testing of product ingredient mixtures for desired flavor or aroma profiles
- Development of new or improved quality assurance testing processes

Expenditures that may qualify as deductible Research & Development expenses would be those that directly relate to the innovations lists above. Examples listed below:

- Salaries and wages
- Lab analysis costs
- Supplies
- Rental or lease costs of computers
- Contract research expenses
- Engineering costs