

How Tech Investors and Tax Credits Make a ‘Full Meal Deal’ for Food Start Ups

Written by [Angie Longacre](#). Updated Aug 25, 2019.

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Pineapple on pizza? No way. I’m a pizza purest. Dough, red sauce, cheese, maybe some pepperoni. I’ll allow sausage or a few other veggies if the gang calls for it. But I don’t want pineapple on my pizza. Fruit does not belong on pizza. Hawaii and Italy lie thousands of miles apart - and so should pineapple and pizza.



Pineapple used to be one of those loner fruits – you didn’t really eat it with anything else. Maybe you paired it with cottage cheese or other fruits . In Jell-o. But it never crossed the dessert/entrée barrier. Pizza changed all that. Now you can find pineapple on topping lists and heating up on grills as a side dish.

Today, technology is becoming the pineapple for the entire food and beverage (F&B) manufacturing industry.

Got Pineapple?

Once upon a time, tech was a stand-alone sector, much like pineapple was a lonely fruit. You had the software and gadgets, and then you had everything else. But technology is now the ingredients, toppings, and side dishes of nearly every industry on earth, including food and beverage.

Hot Pockets!

Of course, many people may think GMO when they associate tech with food, but that’s not where this is going. Tech investors are beginning to stuff their capital into food startups. Businesses like “virtual kitchens” (delivery-only restaurants) and meal kit services are whetting investor appetites.

Food has always attracted investors, of course. Humans must eat. No declining economy or evaporating trends stop people from consuming food - the only variables may be what people eat and drink and how they acquire it.

R&D Credits – They’re Not Just for Breakfast Anymore

So now with a booming economy, U.S. citizens spend more on food annually than essentials, such as health care. The Department of Agriculture confirms this with a revelation that consumers – including businesses and government entities – doled out approximately \$1.62 trillion for food and beverages in 2017.¹

Figure Lickin’ Good

The public-at-large is willing to spend more for conveniences and innovations when it comes to food. And venture capitalists are piling on their funding in response.

They’ve layered investments into food-based tech companies from \$60 million to \$1 billion in just seven years.² They see the potential and they want a taste.

Though restaurant-to-customer remains the leader in food delivery, platform-to-customer (app delivery service, such as Grubhub) looks sweet with a \$3.5 billion investment in the first ten months of 2018. ² Meat alternatives market growth also looks appetizing with an estimated worth of \$4.6 billion in 2018 - and projected rise to \$6.43 billion by 2023.²

Think Outside the Investor

Tech investors aren’t the only way food and beverage startups can fill their plates. Research and development (R&D) tax credits can add some meat too.

This federal corporate income tax credit can help F&B startups secure a dollar-for-dollar reduction in federal tax liability for qualifying research and development activities, such as:

- Designing and developing new products
- Developing new or improved bottling processes
- Developing new or improved fermentation processes
- Developing new or improved manufacturing technology, processes, and procedures
- Developing new packaging and packaging systems
- Developing new product flavors, appearances, textures, or health benefits
- Development of new software applications to use internally
- Enhancing designs to comply with new environmental regulations
- Testing prototype samples for analytical and microbiological qualities

Welcome to the Credit Side of Life

And to top off your glass, recently in 2016, new tax provisions granted startup companies an opportunity to offset their corporate payroll taxes through qualifying R&D credits.

Startups can qualify for up to \$250,000 in credits against payroll tax each year if they’ve produced less than \$5 million in gross receipts for the year in which they are claiming the credit. This affords new, struggling or emerging businesses the ability to maximize their tax saving potential.

Two Great Tastes that Taste Great Together

What may have seemed an unlikely pairing, the tech and F&B sectors now find themselves together on the same investor menu, and the R&D tax credit lends a real helping hand to new food and beverage companies that have - or haven’t yet - caught an investor’s eye. Of course, to ensure potential credits are delivered to their door, organizations should consult a tax professional.

Research & Development Tax Credit

Learn how companies of all industries and sizes benefit from R&D tax incentives to spur growth and innovation.

READ GUIDE

1. Food Prices and Spending, United States Department of Agriculture, 2019
 2. Tech investors are dumping millions each year into food start-ups, but their appetites are changing, 2019

Topics: [R&D Tax Credit](#)

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As a copywriter for CTI, Angie devotes her craft to promoting CTI’s valuable services and benefits for businesses. When she’s not commanding the keyboard, you can find her outside for a run with her dogs, searching for her next antique treasure, dreaming of her next trip to the beach, or lost in a good book.

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