

## THE REFERENCE

### YOUR SPECIALTY TAX SOLUTION

“  
It takes deep expertise to properly distinguish between qualified and nonqualified activities in the software development field for tax purposes. McGuire Sponsel has it.  
”

– David McGuire  
Director  
McGuire Sponsel

## SOFTWARE DEVELOPMENT Qualified vs. Nonqualified Activities

1. Hardware, Firmware and Assemblers
  - a. Nonqualified
    - i. Hardware integration
    - ii. Most firmware
  - b. Qualified
    - i. Hardware development
    - ii. Some firmware especially if the next is true
    - iii. Assemblers for the integration of hardware
2. Kernels and Applications Software
  - a. Nonqualified
    - i. Enterprise software
      1. Accounting software
      2. Business software
      3. Human resource management
    - ii. Enterprise infrastructure software
      1. Business workflow software
      2. Database management system software
      3. Digital asset management software
      4. Document management software
    - iii. Information worker software
      1. Time resource management
      2. Data management
  - b. Qualified
    - i. Kernel development
    - ii. Information worker software
      1. Documentation
      2. Analytical software
        - a. DADiSP
        - b. Maple
        - c. MathCAD
        - d. MATLAB
        - e. Minitab
        - f. Computer algebra systems
        - g. Statistical packages
        - h. Numerical computing
        - i. Neural network software

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## **SOFTWARE DEVELOPMENT Qualified vs. Nonqualified Activities**

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- 3. Collaborative software
  - iii. Media and entertainment software
  - iv. Media development software
    - 1. Graphic art software
    - 2. Media editing qualified
      - a. Image editing software
      - b. Video editing software
      - c. Sound editing software
      - d. Music sequencer
      - e. Hypermedia editing software
        - i. Web development software
      - f. Media data formats
        - i. Raster graphics
        - ii. Vector graphics
        - iii. 3D graphics
        - iv. Animation
        - v. Video
        - vi. Digital audio
        - vii. MIDI
      - g. Media file formats
        - i. Graphic file formats
        - ii. Video file formats
        - iii. Audio file formats
  - v. Product engineering software
    - 1. Hardware engineering
    - 2. Software engineering