

# BMSS PRESENTS:

 JULY  
10TH

**THE ONE BIG BEAUTIFUL BILL ACT IS NOW LAW**  
*—HERE'S HOW IT IMPACTS YOU & YOUR BUSINESS*

 JULY  
22ND

**RESEARCH & DEVELOPMENT (R&D) UNDER THE OBBBA:**  
*BUSINESS IMPACTS & STRATEGIES*

 AUG  
21ST

**WHAT THE OBBBA MEANS FOR EMPLOYERS**

 SEP  
4TH

**THE OBBBA & YEAR-END TAX PLANNING:**  
*WHAT BUSINESSES NEED TO KNOW*

 OCT  
28TH

**THE OBBBA & YEAR-END TAX PLANNING:**  
*WHAT INDIVIDUALS NEED TO KNOW*



# R&D UNDER THE “BIG BEAUTIFUL BILL”



July 22, 2025





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# ABOUT US



mcguire  
sponsel

## FOUNDED

in 2007, McGuire Sponsel is a trusted tax and advisory partner to more than 500 CPA and real estate firms nationwide

## BEYOND COMMON PRACTICES

-  Cost Segregation & Energy Studies
-  R&D Tax Credits
-  Transfer Pricing
-  Site Selection
-  Property Tax
-  International Tax Compliance

Phoenix, AZ | Dallas, TX | Indianapolis, IN (HQ) | Detroit, MI | Atlanta, GA





## FIXED ASSETS

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- **Cost Segregation**
- Fixed Asset/Depreciation Management
- 179D Tax Deduction
- 45L Energy Efficient Tax Credit
- **Property Tax**
- IRA Credits



## R&D TAX CREDIT

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- **State and Federal Tax Credit Studies**
- Retroactive Studies
- Current Year Reviews
- Tax Credit Review
- Federal and State Audit Defense & Risk Advisory



## GLOBAL BUSINESS

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- Global Expansion
- Global Structuring
- Cross-Border Transactions:
- Operational
- M&A Transactions
- **Transfer Pricing Studies**
- International Tax Planning:
- IC-DISC
- International Tax Compliance



## LOCATION ADVISORY

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- **Site Selection**
- State and Local Incentive Management
- Single or Multi-Site Incentive Benefit Analysis
- **Incentive Procurement**
- Compliance & Reporting





# AGENDA

- History of the R&D Tax Credit
- R&D Tax Credit Criteria
- §174 Status with Passage of OBBB
- §174 Transition Rules and §41 Options
  - 2024 Tax Returns on Extension
  - Small Taxpayers
  - Large Taxpayers
- Key Changes to Form 6765



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# History of the R&D Tax Credit

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# R&D TAX CREDIT TIMELINE

1981

Federal R&D Tax Credit introduced

2017

TCJA overhaul—includes IRC 174 requirements for domestic research expenditures to be amortized over 5 years (15 years for foreign research) starting January 1, 2022

Sept. 8, 2023

IRS releases updated proposed guidance on IRC 174 amortization requirements

- Outlines information related to SRE activities and expenses that must be amortized

2015

- PATH Act officially made the R&D Tax Credit permanent and not part of an extenders bill
- Payroll tax offset introduced

2022

- No correction to IRC 174
- Companies required to follow IRC 174 with little guidance
- IRS issues Memo 20214101F—details information taxpayers will be required to include in R&D Tax Credit claim for the refund to be considered valid
- Beginning January 10, 2022, taxpayers must submit this information with amended tax returns but not in original filed R&D Tax Credit for 2022

2025

- One Big Beautiful Bill signed into law on July 4
- Permanent fix for §174 starting in 2025
- For small businesses: includes retroactive opt-out election for §174—will have major implications for 2022–2024 returns
- For taxpayers: time to revisit strategies for prior and upcoming tax years





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# R&D Tax Credit Criteria

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# R&D QUALIFICATION CRITERIA

## FOUR-PART TEST



§41(d)(I)(B)(ii)

### PERMITTED PURPOSE

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- New or improved product, process, technique, formula, invention, or computer software
- The purpose of the research must relate to a new or improved function, performance, reliability, or quality



§41(d)(I)(B)(i)

### TECHNOLOGICAL IN NATURE

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The activity is undertaken to discover information that is technological in nature



§41(d)(I)(A)

### THE UNCERTAINTY TEST

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The activity must involve technical uncertainty or risk related to:

- Capability (if it can be done), or
- Method (how it can be done), or
- The Appropriate Design



§41(d)(I)(C)

### PROCESS OF EXPERIMENTATION

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The qualified activity must involve the evaluation of one or more alternatives where the capability and method of achieving the result is uncertain as the outset



# DEFINING §41 QUALIFIED EXPENSES



## WAGES



- Performing qualified research
- Technical supervision of qualified research
- Technical support of qualified research

## SUPPLIES



- Tangible personal property utilized during the process of qualified research
- Cannot be subject to depreciation

## COMPUTER LEASING



- Owned and operated by someone other than the taxpayer
- Cloud computing costs most common

## CONTRACT RESEARCH



- Any amount paid or incurred by the taxpayer to any person/company other than employees for qualified research
- Includable up to 65% (75% for research consortia)



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# Update on Section 174

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# **§174 AMORTIZATION** **PERMANENT FIX**



- Full deductibility for domestic R&D expenses for tax years beginning after January 31, 2024
  - Provides transition rules
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- Expensing only applies to domestic R&D
  - Option to capitalize and amortize
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- 280C Election reverts to prior treatment





# TRANSITION RULES

## Small Taxpayer Provision

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- Ability to amend returns from 2022-2024
- Election to apply full deduction through amended return
- Election will allow taxpayers to make a 280C election even on an amended return for 2022-2024

## All Other Taxpayers

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- 174 Amortization applies for 2022-2024
- Taxpayers can pull forward unamortized expenses on first return for a tax year ending after December 31, 2024
- Done through a 3115
- Can spread unamortized amounts over 1-2 years



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# What to Do Today?

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# 2024 TAX RETURN ON EXTENSION

## Small Taxpayers

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- May Elect to fully deduct for 2024
  - Disclose they're doing so under BBB
- Plan to also amend 2022-2023
  - All or Nothing Election
- OR Amortize for 2024 and accelerate deductions in 2025 or 2025-2026

## Large Taxpayer

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- Must Amortize for 2024
- Utilize the accelerated deduction provision in 2025 or 2025-36



# PLANNING RESEARCH TAX CREDITS

## If R&D Tax Credits have been avoided

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- Companies should reconsider R&D Tax Credits
- Consider amending 2022-2024 to claim missed credits
- For small taxpayers, an election out of 174, or to claim 280C can be made

## Planning

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- For small taxpayers, what is the best way to correct?
- Amending returns provides options such as 280C
- For small taxpayers with multiple partners, is amending or pulling forward more advantageous?

## Timing

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- Taxpayers can start amending returns for missed R&D credits immediately
- Planning for amending vs pulling forward amortization should be a tax planning priority



# LOOKING FORWARD DECISION TREE





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# Form 6765

## New Reporting Requirements

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# FORM 6765

## TAX YEAR 2024

- Calculation methods remain the same
  - No changes to qualified expenses
- Expanded detail required for originally filed returns
  - Similar to Memo 20214101F, claim for refund requirements
  - Portions are optional for tax year 2024 and certain small businesses moving forward



# SECTION E

## NEW INFORMATION REQUIREMENTS

### Value Input

- Line 37 – Number of business components for the tax year
  - Identify each new or improved product, process, computer software, technique, formula, or invention
- Line 38 – Enter the amount of officers' wages included as QREs

Form **6765**

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Section A—Regular Credit

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Section B—Alternative Simplified Credit

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# SECTION G

## Information for Each Business Component

Form **6765**

### Section A—Regular Credit

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Provide a list of types and uses to select from

### Section B—Alternative Simplified Credit

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Break out direct research, supervision, and support

Name, new/improved, type, and use

Information sought to be discovered

Total qualified wages

Cost of supplies, rental/lease of computers, contract research

Must report 80% of QREs or no more than 50 business components



# UPDATED GUIDANCE

## JUNE 21, 2024



### SECTION G IS OPTIONAL

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- For all taxpayers on originally filed 2024 returns
- Will be required for amended 2024 returns

### SMALL BUSINESS SAFE HARBOR

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Eligible on originally filed returns for:

- Qualified small business electing the payroll tax offset under IRC 41(h)(1) & (2)

*OR*

- Taxpayers with total annual qualified research expenses (QREs) of \$1.5M or less and \$50M or less in annual revenue

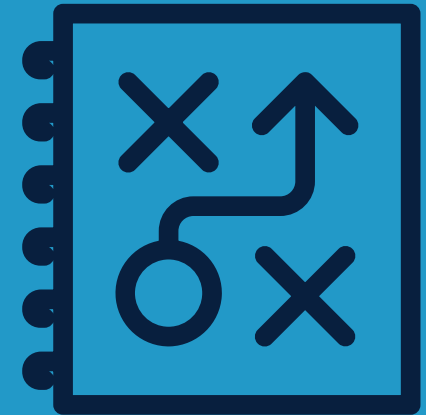




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# Documentation Strategies for Success

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# STRATEGIES FOR SECTION G SUCCESS

Form **6765**

Section A—Regular Credit

## Connecting people and projects

- What did the research intend to discover?
- Were they involved in direct research, support, or supervision?

## Directly tying supplies to pilot models

- Documenting the experimentation that took place

## Contract Research

- Who owns the IP?  
Who can claim the expenses?

## Process of Experimentation

- The Scientific Method



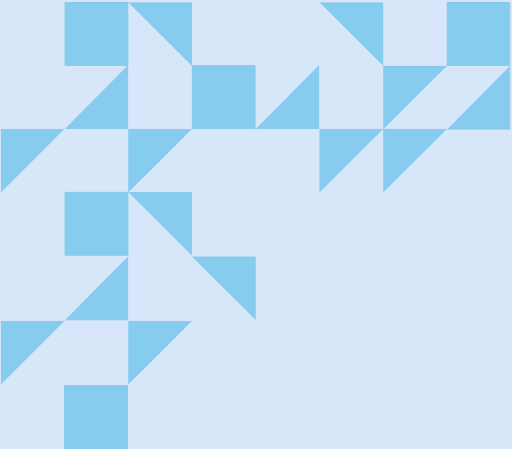
# PITFALLS TO AVOID

Form **6765**

Section A—Regular Credit

Business Components	Development vs. Implementation	Wage QREs Concerns	Miscellaneous
<ul style="list-style-type: none"><li>▪ High volume of projects with low QREs</li><li>▪ When is it appropriate to group projects?</li></ul>	<ul style="list-style-type: none"><li>▪ Artificial intelligence</li><li>▪ Robotics/automation</li></ul>	<ul style="list-style-type: none"><li>▪ Claims that are largely built on Officer Wages</li><li>▪ High ratio of “Direct Supervision” QREs</li></ul>	<ul style="list-style-type: none"><li>▪ Excessive amounts of supplies QREs</li><li>▪ Small Contract Research QREs spread over many projects</li></ul>





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# BMSS Industries and Services

Here are a few of the ways that BMSS Advisors & CPAs can assist you:

## INDUSTRIES

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- Film & Entertainment
- Financial Services
- Government & Municipality
- Government Contracting
- Healthcare
- Manufacturing & Distribution
- Medical & Dental Practices
- Nonprofit
- Oil & Gas
- Private Equity & Venture Capital
- Professional Services
- Real Estate
- Technology & Software
- Transportation

## SERVICES

- Accounting & Auditing
- Business Advisory & Consulting
- Business Turnaround
- CFO Advisory
- Client 361
- Entrepreneurial Operating System® (EOS)
- Human Resources
- Transaction Advisory
- Turnaround
- Valuations
- Client Accounting Solutions (CAS)
- Continuing Professional Education
- Employee Benefit Plan Audits
- Estate & Trust Planning
- Foreign Assets
- Peer Reviews
- Research & Development Credits
- State & Local Tax
- System & Organization Controls
- Tax Planning & Compliance



# Questions?

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*CPE certificates will be issued approximately two weeks after the presentation.*

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