



# Could Your Business Qualify for the R & D Tax Credit and Lower Your Tax Bill?

## Key Takeaways

- If you qualify, the R&D tax credit can lower your taxes dollar-for-dollar.
- You don't have to be a lab or a "big tech" company to qualify.
- Good documentation makes it much easier to support the credit.

## Overview

The Research and Development (R&D) tax credit is a tax break that can help businesses reduce their federal income tax bill. It's usually based on money you spend while trying to develop or improve a product, process, formula, technique, or software.

Basically: if your business spent time and money trying to build something new (or make something work better) and had to test and troubleshoot along the way, you may be eligible.

## One Big Beautiful Bill / Section 174 Update

The OBBB Act includes rules and incentives related to research expenses, such as:

1. Domestic: research and experimental (R&E) costs may be deducted right away in the year they're spent (I.R.C. §174A).
2. Foreign: R&E costs generally have to be capitalized and amortized over 15 years (I.R.C. §174).
3. Businesses may still be able to claim the R&D tax credit for qualified research expenses (I.R.C. §41).

## Who May Be Eligible?

If you answer "yes" to any of these, it may be worth looking into:

- Snack/food company: Are you testing a new ingredient or recipe (for example, a new seasoning/oil to improve taste or shelf life)?
- Manufacturer: Are you running trials to reduce waste, speed up production, or improve quality?

- Software/SaaS company: Are you building a new feature or trying to make your product faster, more secure, or more scalable?
- Chip/semiconductor company: Are you testing new materials or new manufacturing steps to improve performance or reliability?
- Engineering/architecture/design firm: Are you modeling and testing new designs or materials to solve a technical problem?
- Any business (internal improvements): Did you build or heavily upgrade an internal tool (automation, dashboards, workflows) that required trial-and-error to get right?

**Quick self-check:** Did you face technical uncertainty and have to test, iterate, or troubleshoot to find a solution? If yes, that's a strong sign.

## Who Usually Does NOT Qualify?

Some work does not count because it is too routine or does not involve real testing. For example:

- A company copies a product that already exists without changing or improving it.
- A business makes small design changes, like changing colors, packaging, or a logo.
- An employee does basic data entry, bookkeeping, or normal repairs.
- A company follows a set recipe, formula, or process without testing anything new.
- A business buys new software and uses it as-is, instead of creating or improving its own tool.

The main idea is that the work should involve a real attempt to solve a technical problem, not just normal day-to-day business tasks.

## Next Step

Our firm partners with specialized R&D credit service providers who can help confirm eligibility and help with documentation. If you think your business might qualify, reach out so we can help you evaluate the opportunity and maximize any available benefit.