



KBKG Tax Insight: IRS Issues Guidance Around ASC 730 and the R&D Tax Credit

According to a new guidance released by the IRS, the Large Business and International Division which serves corporations, subchapter S corporations, and partnerships with assets greater than \$10 million are instructed to accept financial statements that comply with the GAAP standards as proof of Qualified Research Expenses (QREs). Ultimately, this new directive could lessen the formally burdensome task imposed on taxpayers claiming the U.S. Code Sec. 41, credit for increasing research activities, and the IRS examiners.

The new guidance states that Adjusted Account Standards Codification (ASC) 730 Financial Statement R&D can now be used as proof of QREs. The ASC 730 Financial Statement for R&D includes research and development costs expensed per GAAP standards. There are exceptions and caveats to the new guidance. LB&I taxpayers must include a certification statement and the guidance only applies to returns filed on or after September 11, 2017. Applicable returns or extensions must be filed timely.

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Author: Kevin Zolriasatain