

TEI Connecticut September 30 Webinar



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Next Roundtable: [December 11, 2025 | 3 PM ET](#)

Our Message to YOU

Hello Connecticut, New England, and New York TEI Members:

Thank you to the TEI Connecticut Chapter and your leadership for inviting us to speak to your group on such a timely topic. We know it isn't easy doing your day job and being a TEI leader, so we recognize Kate Ehmer and Christina Wilson as a joy to work with and for making this event a success.

During the webinar, we covered important topics like the new Form 6765, cases, controversy, and technology that impacts R&D tax credits. If you have questions as you go through this white paper, contact info@massietaxcredits.com, as we would be glad to help.

Our mission is to provide tax credit services in such a way that all of our clients love working with us, and all of our employees love their jobs.

Simplify the Process

Reduce the burden on your SMEs through a user-friendly collaboration platform.

Maximize Credit Potential

Leverage innovation and documentation strategies to increase the R&D credit.

Protect Your Claim

Ensure full compliance with IRS regulations and minimize audit risks.

Our goal is simple: to make the R&D tax credit experience easier for your subject matter experts, tax departments, and even the IRS.

R&D Best Practices

The landscape for R&D tax credits is shifting. If your company relies on these incentives to fuel innovation, 2025 is bringing changes that demand attention. From new IRS scrutiny to documentation requirements that could make or break your claim, here's what you need to know now—and what your finance team should be doing to stay ahead.

1. The IRS Is Treating All Taxpayers the Same—No More Exceptions

A few years ago, IRS audit campaigns targeted only select taxpayers. That's no longer the case. Today, whether you're a startup or a billion-dollar enterprise, expect the same level of scrutiny. The IRS isn't showing deference based on company size, industry, or past compliance. Every claim is under the microscope.

Action Step: Ensure your R&D tax credit claims are bulletproof with a well-structured business component strategy, activity-level information focused on the process of experimentation, and supporting documentation.

2. The New Form 6765 Is a Game Changer

The IRS has revamped Form 6765, adding new reporting requirements that demand more transparency. Key changes for 2025 include:

- Detailed reporting on business components (you must now list the top 80% of Qualified Research Expenditures (“QREs”) by business component, but you don't need to list more than 50 business components on the Form).
- Classification of the type of business component, with a special emphasis on what type of software development was included.
- Mandatory identification of Direct Research, Direct Support, and Direct Supervision by business component.

Action Step: Don't wait— Start tracking and categorizing costs in a way that aligns with the new form. Meet with your key Innovation Stakeholders to discuss the changes. Consider starting your 2025 study now!

3. Business Component Strategy

The Little Sandy Coal case focused on whether a business component can meet the four-part test, and if not, whether the taxpayer could “shrink-back” to a component that did qualify. In the example of a car, we discussed whether the car was the business component, or if challenged by the IRS, maybe it would be more appropriate to claim the aerodynamic features as the business component, or the electronic components, or even the ball bearings for the wheels. Taxpayers must be prepared to identify business components on Form 6765 that meet the four-part test and are properly documented or expect the IRS to adjust.

Action Step: Work on your business component strategy with your innovation team to ensure you can pass IRS challenges.

R&D Best Practices

4. Activity-Level Information

With the IRS demanding Direct Research, Direct Support, and Direct Supervision information by business component on Form 6765, they are now looking more closely at “who did what.” This means that more exams are focusing on activity-level information by employee. This can be troubling for taxpayers who rely on SME interviews to gather supporting information about projects and people.

Action Step: Consider using a Product Development Lifecycle Approach as a roadmap for IRS inquiry. You can outline what people are involved in each phase of work, activities performed, and documentation available. This roadmap approach will lead to smoother audits.

5. Process of Experimentation

The IRS is tightening its interpretation of what qualifies as R&D. Companies must prove that at least 80% of their research efforts follow a structured process of experimentation—a requirement reinforced by recent court cases like Little Sandy Coal.

Action Step: Be prepared to demonstrate how your company followed the scientific method—hypothesis, testing, iteration—when developing new products or processes. Beware of classifying upper-level performers as Direct Supervisors as we still see the IRS applying the Tax Court opinion. A better analysis is to determine the exact amount of time they are spending on Direct Research and Direct Supervision.

6. The IRS Is Watching How You Document Your Claims

Interviews and internal notes aren’t enough anymore. The IRS wants to see real documentation—design iterations, test results, engineering notes, and other tangible evidence.

Action Step: Implement a documentation process that captures research activities in real-time rather than scrambling to reconstruct them later.

Don’t Get Caught Off Guard

2025 is shaping up to be a defining year for R&D tax credits. With increased IRS scrutiny, changing forms, and stricter compliance requirements, taxpayers need to be proactive—not reactive.

Want to make sure your company is ready? Download our [R&D Tax Credit Compliance Checklist](#) or [schedule a consultation with MASSIE’s tax experts today.](#)



Jason Massie, CPA, Esq., is the Founder and President of MASSIE R&D Tax Credits and has 35 years of tax consulting experience. Jason received a B.S. in Accounting from Christian Brothers University and a Juris Doctor from the Cecil C. Humphreys School of Law at the University of Memphis. He first learned of R&D Tax Credits at a Big 8 accounting firm in Washington, D.C. Over the next dozen years, Jason led Big 4 and law firm practices and founded MASSIE in 2004. His peers widely recognize him as an expert with frequent speaking and writing engagements.

Recent Litigation

The R&D tax credit landscape is constantly evolving, and recent court cases continue to shape how companies must approach their claims. If your company relies on R&D tax credits, these cases highlight the biggest risks, compliance pitfalls, and IRS scrutiny trends you need to be aware of.

Case #1: The IRS Is Taking a Stricter Stance on the Process of Experimentation

Little Sandy Coal Co., Inc. v. Commissioner (2021)

What Happened? The Tax Court denied significant R&D tax credits because the company failed to prove that at least 80% of the research followed a structured process of experimentation.

Key Takeaway: The IRS wants detailed documentation showing how companies conduct experiments, make iterative improvements, and resolve scientific uncertainty.

Best Practice: Maintain real-time documentation, including design iterations, test results, and engineering notes, to demonstrate a structured experimental process. Also be aware that the IRS will use the Tax Court case to try and disallow business components as they don't believe Direct Supervisors or Direct Supporters are actually performing research. This is contrary to the Appeals decision, but we are seeing them apply the Tax Court decision around the country, which is leading to contentious audits.

Case #2: Stat Sampling Doesn't Limit Discovery

Kapur v. Commissioner (2024)

What Happened? Taxpayer sought to limit discovery to two projects that represented 72% of QREs. The IRS declined to agree and sought extensive discovery.

Key Takeaway: Taxpayers and the IRS don't have to agree to limit discovery to a sample.

Best Practice: Consider how you are going to apply the four-part test to all your business components as the IRS might ask for that level of information.

Case #3: The IRS is Narrowing What Qualifies as Uncertainty

Phoenix Design Group, Inc. v. Commissioner (2024)

What Happened? The Tax Court ruled that a taxpayer failed to identify specific uncertainties before beginning their research, disqualifying their claim.

Key Takeaway: The IRS now expects clear documentation of technological uncertainty at the outset of a project—not just general uncertainty about design challenges.

Best Practice: Define the scientific or technological questions your research seeks to answer before beginning development.

Recent Litigation

Final Thoughts: How to Stay Ahead of R&D Tax Compliance in 2025

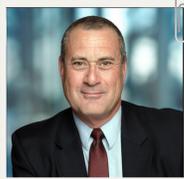
The IRS is cracking down on vague claims and requiring higher levels of documentation than ever before. Companies must:

- Ensure they follow a structured process of experimentation
- Clearly define technological uncertainty at the outset
- Strengthen refund claims to withstand initial IRS review

Need expert guidance? MASSIE's R&D tax specialists can help you stay compliant and maximize your claims.

Tax Controversy

Working as your trusted advisor.



Stephen Whiteaker is the Director of Controversy and leads our Business Component Strategy advisory team. He was previously with the Internal Revenue Service for 32 years before joining MASSIE. During his tenure, Stephen was in Executive Leadership, and held numerous positions in the national office, as a Territory Manager, and Director of Field Operations and Engineering. He served as the Executive Lead for the research credit.

At MASSIE, we are a trusted provider of R&D tax credit services to Fortune 500 companies and have decades of experience dealing with tax controversy. Whether you are facing a CAP, a large case exam, a MITRE audit, or just received notice of your first exam, we are here to guide you through the process and provide you with peace of mind.

If you are facing a new exam, we will work under power of attorney to represent you from the opening conference through the resolution of any issue. We have a proven track record of guiding countless clients through this process, settling most issues quickly and successfully at the examination level.

If your tax matter needs to go to appeals, we have crafted many protests and have experience with appeals and post-appeals mediation across the country, using all settlement tools available to ensure your satisfaction with the results.

Optimizing Your R&D Tax Credit Process Using Today's Technology

The traditional approach to claiming R&D tax credits has long been time-consuming, manual, and frustrating for both finance and engineering teams. But today's technology is changing the game—enabling companies to streamline documentation, improve compliance, and maximize tax credit claims with less effort.

Here's how innovative companies are leveraging modern tools and automation to make the R&D tax credit process easier, faster, and more audit-proof than ever before.

Why the Old Approach No Longer Works

For years, R&D tax credit studies relied on interviews, manual surveys, and paper-based tracking—a method that:

- Requires engineers to recall activities months (or years) after the fact
- Leads to incomplete documentation and IRS audit risks
- Makes it difficult to track and categorize expenses accurately

With IRS scrutiny increasing and Form 6765 changes requiring more granular reporting, companies can no longer afford outdated processes.

Solution: Adopt real-time documentation and digital tracking systems to capture R&D activities as they happen.

How Technology Is Transforming R&D Tax Credit Compliance

Leading companies are using technology-driven solutions to automate and improve every step of the R&D tax credit process. Here's how:

1. Automated Expense Tracking & Allocation

New AI-driven platforms can automatically allocate employee time, supply costs, and contractor expenses to the right business components—eliminating manual spreadsheets.

Best Practice: Integrate your financial and project management systems (SAP, Oracle, Microsoft Dynamics) with your R&D tax credit workflow.

2. Real-Time Documentation Through Collaboration Tools

Companies are moving away from after-the-fact interviews and using Microsoft Teams, Slack, and internal project management tools to document research activities in real time.

Best Practice: Set up automated reminders and structured reporting so engineers and finance teams capture key details without extra effort.

Optimizing Your R&D Tax Credit Process Using Today's Technology

3. AI-Powered Compliance Reviews

Machine learning tools can now scan R&D claims before submission, flagging potential issues that could trigger IRS scrutiny.

Best Practice: Use AI-powered compliance checks before filing [Form 6765](#) to ensure all business components and expenses meet IRS standards.

The Future of R&D Tax Credit Optimization

As the IRS increases oversight, companies must embrace technology-driven efficiency to stay compliant while maximizing their tax savings. The shift is already happening:

- AI & automation are reducing manual errors and improving audit readiness.
- Collaboration tools are making R&D documentation effortless.
- Smart integrations are streamlining expense tracking and project classification.

Want to modernize your R&D tax credit process? [MASSIE](#) can help implement technology-driven solutions tailored to your company's needs.

Custom Collaboration Tools – Microsoft Teams



R&D Collaboration Hub
Screenshot of a Teams channel page titled 'RESEARCH' with a welcome message and buttons for 'Join Meeting', 'View Files', and 'View Calendar'.

Simple Planner Tasks
Screenshot of a Microsoft Planner board showing task cards with due dates and assignees.

Customized Questionnaires
Screenshot of a questionnaire form with various input fields and a 'Submit' button.

Instant Communication
Screenshot of a Teams chat window showing a group of people and a message about a meeting.

Video Training Sessions
Screenshot of a video training session interface with a list of topics and a 'Watch Now' button.

Real Time Analytics
Screenshot of a dashboard with various charts and graphs, including a pie chart and a bar chart.

Welcome to the R&D Collaboration Hub
Screenshot of a welcome message with a list of buttons: 'Join Meeting', 'View Files', 'View Calendar', and 'Submit Now'.

Technological in Nature
Screenshot of a slide titled 'Technological in Nature' with two columns: 'Principles of Hard Sciences' (Engineering, Computer Science, Mathematics, Physics, Chemistry, Biology) and 'Principles of Soft Sciences' (Marketing, Human Resources, Sociology). A red 'X' is drawn over the soft sciences column.

Technical Documentation Types
Screenshot of a slide listing 'Pictures', 'Images', and 'Diagrams' with corresponding icons.

System Design Roadmap
Screenshot of a complex system design diagram with various components and connections.

Optimizing Your R&D Tax Credit Process Using Today's Technology

AI and the Tax Department: MASSIE's New Collaboration Forum

With AI tools multiplying, many tax departments are being asked to work behind the firewall, collaborating with internal tech teams rather than relying on third-party platforms. The issue: AI platforms often request access to extremely sensitive data, including payroll, org charts, contracts, and financial systems. This raises new security and risk questions, especially in large companies where different teams may be buying into different tools without alignment.

MASSIE sees this as an opportunity.

Starting October 2025, MASSIE will launch a new AI for R&D Collaboration Forum — a small, peer-led working group designed to:

- Help tax and IT teams share best practices
- Surface early use cases for AI in the R&D credit process
- Clarify where risk and compliance gaps exist
- Facilitate dialogue about how the IRS is responding to AI-driven credit calculations

The forum is intended for technology professionals, innovation teams, and internal AI stakeholders.

[Want to join the forum? Sign up now.](#)

To understand how the IRS views AI in tax credit claims, read our article "[AI and the R&D Tax Credit: What Actually Qualifies.](#)"

Takeaway: AI isn't just a tool — it's a strategic conversation. MASSIE is here to help you lead it.



As MASSIE's CEO, Peter is responsible for the company's growth and client experience initiatives that make the R&D tax credit process easier, generating larger credits and ensuring smoother audits. His innovative strategies at MASSIE, much like his past achievements, have rapidly propelled the company's expansion. By implementing his unique improvement initiatives and ideas, Peter has significantly contributed to MASSIE's prominence in the industry.

