

# Carolinas TEI November 19 White Paper

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**Next Roundtable: December 11, 2025 | 3 PM ET**

## Our Message to YOU

We want to thank the Carolinas TEI Chapter members and their leadership for inviting us to speak on such a timely topic. We know it isn't easy balancing your day job with being a TEI leader, so we recognize Olga Kourdova, Brian Guinther, Connor Parkes, and Marcus Shore; each of them was a joy to work with and made the event a success.

During the webinar, we covered important topics like the new Form 6765, cases, controversy, and technology that impact R&D tax credits. If you have questions as you review this white paper, please contact [info@massietaxcredits.com](mailto:info@massietaxcredits.com), and we will 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.

# Executive Update on the Research Credit

The research credit environment continues to evolve as the IRS increases its expectations for transparency, documentation, and substantiation of activity levels. Form 6765 is undergoing its most significant revision in years, and companies can expect more detailed reporting requirements to begin in tax year 2025 and beyond.

## Form 6765: A Shift Toward Transparency

Form 6765 is being redesigned to collect more granular information. Section G, which requests business component-level reporting, is optional for tax year 2025 and mandatory for tax year 2026. The IRS has also opened the draft instructions for feedback through March 31, 2026, signaling that this reporting structure will likely continue to evolve.

Teams will need clear strategies for defining business components and documenting related activities and costs. Additional background on developing an effective approach can be found in MASSIE's article on [business component strategy](#).

Form 6765 also requires the addition of new wage classification categories. Companies must be prepared to identify when individuals are performing Direct Research, Direct Supervision, or Direct Support. These classifications link directly to the experiments, uncertainties, and activities performed and are likely to influence how IRS exam teams evaluate claims.

## Business Components and Activity Level Information

The IRS is focusing more heavily on the connection between the activity level of individuals and the qualified research they perform. Documentation should clearly show:

- Which business components generated the most QREs
- How activities satisfied the four-part test
- How the process of experimentation was carried out
- Which individuals performed which activities

Taxpayers should consider reviewing MASSIE's guidance on [building defensible processes](#).

## Interviews and Documentation

Interviews continue to be useful to support the factual record, but recent cases reinforce that interviews alone do not satisfy the burden of proof. Courts have repeatedly emphasized [the need for documentation](#) demonstrating technical uncertainty and experimentation. [The Kyocera case](#) is a prominent example where the absence of retained documentation resulted in the disallowance of nearly all projects.



## Refund Claims and the 45-Day Letter

The IRS has extended the filing deadline for refund claims. Taxpayers now have until January 10, 2027, to file before the IRS will begin issuing 45-day letters. These letters serve as an early filter for refund claim sufficiency, and companies should be prepared to provide detailed information similar to what is now requested on Form 6765.

The Park Ohio case highlights the IRS's strict approach to evaluating refund submissions.



Jason Massie, CPA, Esq., is the Founder and President of MASSIE R&D Tax Credits with 35 years of tax consulting experience. Jason received a B.S. in Accounting from Christian Brothers University and a J.D. from the Cecil C. Humphreys School of Law at the University of Memphis. He discovered R&D Tax Credits while working at a Big 8 accounting firm in Washington, D.C. Jason led several Big 4 and law firm practices before founding MASSIE in 2004. Widely recognized as an expert, Jason frequently writes and does speaking engagements on the credit.

## OBBBA & Section 174/41 Impacts and Controversy Primer

The restoration of domestic expensing under OBBBA has reintroduced coordination between Section 174 and Section 41. At the same time, IRS examination procedures continue to shift as LB&I refines its approach to research credit audits.

### Section 174 After OBBBA

For domestic R&D costs incurred in 2025, taxpayers may either expense or capitalize under [Section 174](#). Foreign research continues to be amortized over a 15-year period. Taxpayers must also determine whether to accelerate previously capitalized domestic R&D from 2022 to 2024 or continue amortizing it on the original schedule.

### Section 174 and Section 41 Coordination

With domestic expensing restored, companies must again comply with the Section 174 and Section 41 coordination rules. Taxpayers may reduce current year R&D expenditures, reduce capitalized amounts, or make a Section 280C election. The IRS will expect these elections to align with how companies apply Section 174 to their domestic research costs.

Explore MASSIE's recent post for more context on [how OBBBA affects credit calculations](#).

### Small Business Retroactive Method Election

Taxpayers with average annual gross receipts of less than 31 million dollars may retroactively apply Section 174A to tax years 2022 through 2024. This election may be made on amended returns filed through July 6, 2026. The retroactive method must be applied consistently across all affected years and may require modeling that considers NOLs, Section 163(j), bonus depreciation, and foreign tax issues.

# IRS LB&I Examination Process

The LB&I exam process continues to emphasize planning, communication, and clear documentation. Taxpayers should expect a methodical and documentation-focused review.

## Phases of the Exam

The LB&I exam structure involves three phases:

1. The planning phase
2. The execution or fieldwork phase
3. The resolution phase

Each phase includes its own expectations and timing, and taxpayers should understand how exam teams typically work within this framework.

## Roles Within the IRS Exam Team

An LB&I team can include:

- A Revenue Agent who coordinates day-to-day activity
- A Team Manager who oversees the exam
- IRS Engineers who assess scientific merit and eligibility
- Engineering Managers who direct technical issues on larger cases
- The Practice Network, which provides national coordination
- IRS Counsel on legal issues
- Appeals Officers in unagreed situations

## Planning and Information Document Request (IDR) Process

The opening conference establishes communication protocols, IDR expectations, and the exam plan. The IDR process begins with a draft IDR, which is finalized following discussion. Due dates are established by agreement when possible, and the IRS may grant one extension.

Taxpayers can expect initial IDRs requesting project lists, activity level descriptions, documentation of experimentation, and cost tie-outs.

## Execution and Resolution

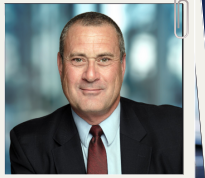
During fieldwork, the IRS reviews documentation, interviews SMEs, and may conduct facility tours. Engineers may take the lead on analyzing the scientific validity of activities. Issues are developed based on documentation, and the IRS may issue a draft Notice of Proposed Adjustment before finalizing.

Unagreed cases can proceed to Fast Track, the Thirty-Day Letter process, or Appeals. Appeals options include Fast Track Settlement, Early Referral, the Rapid Appeals Process, and Post Appeals Mediation. Litigation is pursued when resolution cannot be reached administratively.

**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 MASSIE's Director of Controversy and leads the Business Component Strategy advisory team. Before joining MASSIE, he spent 32 years with the Internal Revenue Service. During his tenure there, Stephen was in Executive Leadership and held positions in the national office as a Territory Manager and Director of Field Operations and Engineering. He also served as the Executive Lead for the research credit.

## Optimizing the Technology You Already Own

Modern research credit compliance depends on integrating existing collaboration tools into a process that is intuitive for SMEs and structured for tax teams. Companies increasingly expect to manage R&D documentation within the platforms they already use.

### The Shift Toward a Better Experience

Many companies are rethinking their R&D processes by prioritizing the user experience. Teams want:

- Seamless communication workflows for their SMEs
- Clear guidance and examples
- Videos and visual aids
- Automated reminders
- Dashboards that provide real-time visibility

### Why Documentation Still Matters

Recent court decisions underscore the importance of maintaining contemporaneous documentation that demonstrates experimentation and uncertainty. Several high-profile cases demonstrate that interview-heavy approaches create risk. MASSIE's analysis of the Kyocera decision illustrates how documentation gaps can undermine a claim.

The IRS has also clarified that it expects more than just recollection-based support. MASSIE's discussion of activity-level documentation requirements provides further context.

## Examples of Modern Collaboration Approaches

Companies are successfully using tools such as:

- Microsoft Teams for R&D collaboration hubs
- Planner tasks with automated reminders
- Slack and Google Workspace for communication
- Power BI dashboards for progress tracking
- Video libraries with sample responses
- Documentation mapping checklists

### **AI for R&D Behind the Firewall**

Tax departments are experimenting with internal AI to improve documentation, classify technical activities, and organize unstructured engineering data. Companies are also blending JIRA information with logical assumptions and using AI tools to identify patterns and experimentation indicators.

If you're looking to modernize your R&D credit process or stay ahead of IRS expectations, contact MASSIE or join our next R&D Best Practice Roundtable for practical insights and peer discussions.

