



THE  **R&D TAX CREDIT** **BEST PRACTICE ROUNDTABLE**
presented by  **MASSIE**

Q4 ROUNDTABLE
WHITE PAPER

December 11, 2025

BECAUSE
TODAY IS
DIFFERENT

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Upcoming R&D Tax Credit Best Practice Roundtable

February 18, 2026

Companies ATTENDED

Adobe Inc.
Adtalem Global Education
Advancion Corporation
Advisor360, LLC
AECOM
Ahold Delhaize
Albertsons
Arvest Bank
Ascent Global Logistics
ASML US LLC
Atlassian
BASF Corporation
Bass Pro, LLC
Bayer
Bell Textron Inc.
Cambia Health Solutions, Inc.
Cambium Learning Group Inc.
CARGILL, INCORPORATED
Caterpillar, Inc.
Charter Communications
Cimpress USA Incorporated
Cohere Health, Inc.
Cummins Inc.

Daktronics, Inc.
Danfoss Power Solutions
Deckers Outdoor Corporation
Deere & Company
Delta Air Lines, Inc.
Derrick Corporation
Dish Network
DMCL LLP
Dover Corporation
Encompass Health Corporation
Engie
esco technologies inc.
Esri
Flint Group US LLC
Fresenius Kabi USA, LLC
Greif
HOFFMASTER GROUP, INC
Hunter Douglas Inc
Hyatt
Illinois Tool Works Inc
Ingevity Corporation
Interior Logic Group
IPG+Acxiom

Jack Henry & Associates, Inc.
Johnson Outdoors
Kemira Water Solutions Inc
Kimberly-Clark Corporation
Land O'Lakes, Inc.
Lear Corporation
Leggett & Platt, Inc.
Leidos
Lockheed Martin Corp.
Macy's, Inc.
Magna International
Medtronic Inc
Microsoft Corporation
Midmark Corporation
MILLIKEN
MKS Inc.
Musco
Natixis Investment Managers
Newly Weds Foods LLC
NextGen Healthcare, Inc.
Nextiva, Inc.
Northrop Grumman
Oklahoma Gas & Electric Company

Omnicell
Optiver
Oshkosh Corporation
PACCAR Inc
Packaging Corporation of America
Paylocity
Pinterest
Premera
Principal Financial Group, Inc.
Randstad North America, Inc.
Reiter Affiliated Companies, LLC
Research By Design
Rheem Manufacturing
Robert Bosch LLC
Rockwell Automation, Inc.
Safelite Group, Inc.
SAS Institute, Inc
Selective Insurance Company of America
Siemens
Sitecore USA, Inc.
SM Energy Company
Snap-on Incorporated
Stantec

Stripe Inc
TDS Inc
TEL US Holdings
Textron
The Andersons, Inc.
The New York Times Company
The Toro Company
Total Quality Logistics LLC
Toyota Industries North America
Traverse Therapeutics
Two Sigma
United Launch Alliance
UnitedHealth Group
USANA Health Sciences, Inc.
Valent
Velera Solutions, LLC
Wellmark, Inc.
Wintrust Financial Corporation
Zapier
ZOLL Medical Corporation



Introductions and Announcements

Jason Massie & Peter Green, MASSIE R&D Tax Credits

- Welcome to the fourth and final Roundtable of 2025.
- If you want Peter and Jason to speak to your TEI group, please email [Ilona Lyubashevsky](#).
- Interested in being a guest speaker at the R&D Best Practices Roundtable? Reach out to [Ilona Lyubashevsky](#).
- MASSIE continues helping clients get more from the tools they already own, including Teams, Google Workspace, and Slack, to simplify SME engagement and speed up R&D studies. Want to learn more? Reach out to us [here](#).
- [Southern Jobs Tax Credits](#) are available in Georgia, Mississippi, and South Carolina. If your company has employees in these states, [Tanja Spivey](#) can help you explore opportunities.

Washington D.C. Updates

Paul DiSangro, Mayer Brown

Enforcement Trends

The landscape for R&D tax credit exams is changing and not always in ways you'd expect. Shrinking IRS resources, evolving audit tactics, and new litigation strategies are creating uncertainty for tax teams. Here's what you need to know.

Staffing and Structural Changes at the IRS

The IRS is stretched thin:

- Large Business & International (LB&I) division staffing is down 25%.
- IRS Appeals is down 27%.
- Department of Justice Tax Division is down 30%.
- The IRS has cycled through six Commissioners and four Chief Counsels in recent years.
- Many roles remain vacant or filled by acting personnel.
- The IRS terminated its contract with MITRE, the third-party firm often used to evaluate R&D claims.
- Most IRS R&D engineers with less than one year of experience have been let go.

Washington D.C. Updates

Paul DiSangro, Mayer Brown

What this means for taxpayers: Audit quality and consistency are suffering. Examinations are frequently delayed, dropped without explanation, or based entirely on amended returns. Some issues are escalated with little warning, while others disappear entirely.

R&D Exams Without MITRE

In past years, IRS examiners often outsourced their analysis of R&D studies to MITRE, a government contractor. That approach created a pattern of denials based on overly narrow innovation standards. Examiners would issue one-line rejections: “No credit — See MITRE.”

That strategy is fading. In 2025, examiners are more likely to:

- Drop R&D entirely from the audit
- Avoid reviewing facts and project-level evidence
- Reject representative sampling techniques
- Ignore SME interviews or affidavits
- Focus only on the documentation that exists at the time of exam

Key takeaway: Weak or vague documentation leaves taxpayers vulnerable. Interviews alone will not suffice. The IRS is no longer relying on MITRE, but it is not letting claims through easily either.

Fast Track Settlement Is Making a Comeback

The Fast Track Settlement (FTS) program, which had fallen out of regular use, is now being reinvigorated. A July 2025 LB&I memo directs exam teams to cooperate and makes it harder to deny taxpayer requests.

Why this matters: FTS is one of the few IRS tools that can resolve issues quickly and informally. It considers hazards of litigation (how likely either side is to win in court) and typically wraps up in about 120 days.

When to consider Fast Track:

- If the dispute centers on whether activities qualify as R&D
- If the QRE percentage is being challenged
- If the facts support your position but IRS pushback is expected

If Fast Track fails, standard IRS Appeals remains available.

Litigation Strategy and IRS Success Rate

The IRS is not just defending claims; it is choosing cases strategically to shape the law in its favor. These cases tend to involve:

- Amended returns
- Claims submitted by service providers
- Low-dollar amounts (under \$1 million)
- Credit calculations that rely heavily on interviews or estimates

Why this matters: Even if these taxpayers lose only modest credits, the court rulings often make it harder for others to claim credits in the future. This is how the Little Sandy Coal case impacted everyone, not just the taxpayer involved.

The result: The IRS has won 11 of the last 14 research credit cases since 2019.

R&D Cases to Watch

Two major cases could shape IRS enforcement in the coming year:

- J.G. Boswell Corp. v. Commissioner
 - Involves \$17 million in QREs (qualified research expenses) tied to agricultural research. Trial began in November 2025.
- Facebook Inc. v. Commissioner
 - Involves \$4.1 billion in stock-based QREs related to compensation for CEO Mark Zuckerberg.
 - The key question is timing: Should the services be considered qualified in the year the stock options were granted (2005) or in the years they vested (2008–2010)?

Understanding the IRS Audit Workflow

- The IRS assigns a structured team to each exam.
- Key roles include the team manager, team coordinator, IRS engineer or LB&I specialist, and the engineering manager.
- The Practice Network, territory manager, field operations leadership, and counsel may also join the review.
- An appeals officer may participate when a case moves into dispute.
- Each role influences the scope, pace, and technical depth of the exam.

How the IDR Process Works

- The IDR process drives most fact gathering.
- It relies on open communication between the IRS and the taxpayer.
- The IRS issues a draft IDR and begins a 10-day review period.
- Both sides confirm mutual agreements on scope, timing, and expectations.
- The IRS allows one 15 business day extension when needed.
- Clear and early communication helps prevent delays or additional requests.

Continued Evaluation and Interviews

- After initial IDRs, the IRS continues its evaluation.
- This stage includes documentation review, interviews, and facility tours.
- IRS engineers often take a more active role.
- Interviews help the IRS understand the intent of the work and how development occurred.
- As the review continues, the IRS develops specific issues for deeper analysis.
- Consistent and organized documentation helps guide this phase.

Recent Developments

Stephen Whiteaker, MASSIE R&D Tax Credits

OBBBA, Section 174, and 41 Impacts

Catie Ely, MASSIE R&D Tax Credits

Keys to Managing an Effective Exam

- Maintain professional and cordial communication.
- Recognize that the IRS serves an adversarial role, yet cooperation helps progress.
- Stay transparent and honest throughout the process.
- Build constructive relationships with the exam team.
- Keep documentation clear and accessible.
- Track the audit timeline and respond within agreed deadlines.
- Elevate issues early when clarification is needed.

2025 Section 174 Considerations

- Companies must address remaining unamortized domestic Section 174 balances from 2022 through 2024.
- They can continue amortizing those balances or accelerate the remaining amounts.
- New Section 174 costs incurred in 2025 also require separate treatment.
- Domestic and foreign expenses follow different rules, so teams must track them with care.
- These choices affect the timing of cost recovery and the related tax impact.

Research Credit Interaction

- Section 174 treatment continues to influence the timing and structure of Section 41 research credit calculations.
- Changes in amortization or acceleration can shift qualified research expenses and create downstream effects on credit positions.
- Early modeling helps companies understand both impacts before they finalize their elections.

Relief Options for Small Taxpayers

Small taxpayers with under 31 million dollars in average receipts may qualify for expanded relief under OBBBA.

OBBBA, Section 174, and 41 Impacts

Catie Ely, MASSIE R&D Tax Credits

AI for R&D

Jason Massie, MASSIE R&D Tax Credits

The rules create new opportunities but also introduce timing limits and coordination requirements.

- They can retroactively elect Section 174A rules.
- They may amend 2022 through 2024 returns to recover eligible costs.
- The election is due with the 2024 return or by July 6, 2026.
- Once made, the election must apply to all applicable years.
- The election is not compatible with Section 7.02 changes.
- Taxpayers may file or revoke a Section 280C(2) election when needed.
- They must also consider NOL positions, timing limits, and the impact of foreign taxes.

What Companies Are Talking About

Across industries, interest in AI continues to rise. Tax teams and engineering groups are looking for ways to use AI to manage workloads, streamline processes, and support leadership expectations. Many teams are also navigating pressure to reduce headcount or restructure departments as AI tools mature. Because of this, companies want AI solutions that improve efficiency and help their C-suite understand where automation creates value.

Key themes from recent conversations include:

- Taxpayers are very interested in AI and want practical use cases.
- Some companies are reducing or restructuring teams because of AI.
- Many see AI as a tool to increase efficiency across R&D workflows.
- Leadership teams want clear, measurable benefits from AI adoption.

The AI for R&D Collaboration Forum

To support these discussions, MASSIE created the [AI for R&D Collaboration Forum](#). This group met in October, November, and December. Each session brought together 15 to 20 participants who wanted to learn from peers and share their experiences.

The forum has a clear purpose:

- To help companies advance their internal AI innovation efforts.
- To share best practices across tax, engineering, and data teams.
- To discuss future goals and practical roadmaps.
- To encourage development of new solutions and approaches.

AI for R&D

Jason Massie, MASSIE R&D Tax Credits

Participants represent a wide range of industries. They include software, manufacturing, aerospace, retail, energy, transportation, chemicals, and healthcare. They also include companies experimenting with AI at different levels of maturity. This mix creates space for honest discussion about what works and what does not.

What We Are Hearing From Participants

In these sessions, we continue to see steady experimentation and early adoption.

- About one-third of participants report using AI today.
- Most current use focuses on research and information gathering.
- Many teams are testing or integrating a wide range of tools, including:



Teams also want to enhance their Alteryx and Snowflake workflows with AI. They want tools that help them handle large data sets faster and with fewer manual steps. This focus reflects a broader push to scale R&D processes with technology instead of additional headcount.

See You Next Time.

Thanks for joining the Q4 2025 Roundtable.

We look forward to seeing you in 2026 for our first Roundtable of the new year.



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presented by  **MASSIE**

Mark your calendar for our next Roundtable.

February 18, 2026 | 12 PM ET