

MASSIE R&D Tax Credits

Q2 ROUNDTABLE WHITE PAPER





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COMPANIES ATTENDED

THE

R&D
TAX CREDIT

BEST PRACTICE
ROUNDTABLE

Walmart

- 3M
- Aalberts
- ADM
- Adobe
- Advisor360, LLC
- Advancion
- AGCO Corporation
- Ahold Delhaize
- Air Liquide
- Amcor
- American Express
- AMD
- AT&T
- At Home
- Aveanna
- BAE Systems, Inc.
- BASF Corporation
- Bazaarvoice
- Bayer
- Bioventus
- Bridgestone
- Brunswick
- Buckle
- CACI International
- CargoBill
- Caterpillar Inc.
- CBRE Group Inc.
- Ciena Corporation
- Cimpres
- Clorox
- Comerica Bank
- Company Vitals
- Conagra Brands
- Cook Inlet Region, Inc.
- Corteva Agriscience
- Coupa Software, Inc.
- CSX
- Cummins Inc.
- Curtiss-Wright
- Deere & Company
- Dominion Energy Inc.
- Doximity
- Ducommun Incorporated
- Dutch Bros LLC
- Eastman Chemical
- Eli Lilly and Company
- Encompass Health Corporation
- ENGIE North America Inc.
- Entegris, Inc.
- Erie Insurance
- Esri
- FBIN, Inc.
- FICO
- First Acceptance Insurance Co.
- Flint Group US LLC
- FormFactor, Inc.
- Freudenberg
- FUJIFILM
- Gallup
- General Atomics
- General Dynamics
- Grifols
- Henkel
- HF Sinclair
- HII
- Hoffmaster
- Hunter Douglas
- Illinois Tool Works Inc.
- Intapp, Inc.
- Interior Logic Group
- Itron Inc.
- Johnson Electric
- Kemira
- Kemper
- Kimberly-Clark Corporation
- Knowles Corporation
- Lamb Weston Inc.
- Land O' Lakes
- Lear Corporation
- Leggett & Platt, Inc.
- Likewise Corp
- Lockheed Martin
- Mack Molding
- Magna
- Mars Incorporated
- Mativ Holdings, Inc.
- MEDHOST
- Midmark Corporation
- Milliken
- Nestlé USA
- NETGEAR, Inc.
- NETGEAR, Inc.
- Nihon Kohden
- Nissan North America
- Northrop Grumman
- Omnicell
- Optiver
- PCA
- Peet's Coffee, Inc.
- Phillips 66
- Plexus Corp
- PNA Holdings US, Inc.
- Premera
- Principal Financial Group
- PulteGroup, Inc.
- Randstad
- Realtor.com
- REI
- Rehrig Pacific Company
- Reiter Affiliated Companies
- Rheem Manufacturing
- Robert Bosch LLC
- Saft America Inc.
- Samsung
- SAS Institute
- S. C. Johnson & Son, Inc.
- Sealed Air Corporation
- Shaw Industries Group, Inc.
- Siemens Healthineers
- Silicon Laboratories Inc.
- Sitecore USA, Inc.
- SLB
- SM Energy Company
- SPX Technologies
- Stanley Black & Decker
- Stripe, Inc.
- Stryker Corporation
- Sun Life Financial
- Synopsys
- Takeda Pharmaceuticals
- Target
- TDS, Inc.
- Tennant Company
- The Lubrizol Corporation
- The Sherwin-Williams Company
- The Standard Life Insurance Co.
- Tokyo Gas America Ltd.
- Toyota Industries North America, Inc.
- TQL
- Two Sigma Investments, LP
- Ultralife
- USAA
- USANA Health Solutions
- Vertiv Corporation
- Vontier
- Watkins Associated Industries
- Wellbore Integrity Solutions Parent Inc.
- Wellmark, Inc.
- WEX Inc.
- West Pharmaceutical Services
- Westlake
- Zapier
- ZOLL

Upcoming R&D Tax Credit Best Practice Roundtable

September 24, 2026



Introductions and Announcements

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

- Welcome to the second quarter R&D Best Practices Roundtable.
- If you'd like Peter and Jason to speak to your TEI group, please email [Ilona Lyubashevsky](mailto:Ilona.Lyubashevsky).
- MASSIE continues helping clients get more from tools they already own, including Teams, Slack, and Google Workspace, to simplify SME engagement and speed up R&D studies. Reach out to us at info@massietaxcredits.com.
- Jason will be leading a discussion with David Hudson, IRS Senior Advisor, on R&D issues at the TEI Audit and Appeals Seminar in September in Northern Virginia.
- Our Q3 Roundtable will be on September 24. More at massietaxcredits.com.

Washington, D.C. Updates: Recent Developments and Best Audit Practices

Ellen McElroy, Partner, Tax and Controversy, Eversheds Sutherland

Ellen McElroy grounded the discussion in the broader regulatory and enforcement context, emphasizing that taxpayers continue to operate in an environment defined by scrutiny, ambiguity, and insufficient guidance.

She noted that the research credit remains one of the most actively examined issues within the IRS's Large Business & International division. In practice, this translates into recurring challenges with substantiation, business component identification, and statistical sampling. While sampling methodologies are widely used and often necessary given the scale of modern R&D operations, they are still frequently questioned during audits due to the lack of explicit administrative guidance supporting their application.

At the same time, Ellen highlighted that the IRS is beginning to recognize the limitations of its current approach. There is growing momentum to issue clearer guidance in several areas, including statistical sampling, the application of the “substantially all” standard, and the expansion of reliance frameworks, such as the ASC 730 Directive. These developments are expected to evolve over the next several years, with meaningful guidance potentially arriving between 2027 and 2028.

She also emphasized a broader shift in how disputes may be resolved. Rather than relying solely on prolonged examinations, the IRS is increasingly turning to alternative dispute resolution mechanisms, including pre-filing agreements and fast-track settlement programs. This reflects a recognition that the traditional audit model is becoming unsustainable, given both the volume and complexity of research credit claims.

Key Takeaways:

- **Audit risk remains elevated, particularly for large, complex credit claims relying on sampling or broad business component definitions**
- **Expect continued scrutiny before relief—guidance is coming, but not in the near term**
- **Proactive audit strategy is critical—consider pre-filing alignment and dispute resolution pathways early**
- **Documentation standards should be built for litigation, not compliance alone**



Spotlight: A Practical Case Study in AI-Driven R&D Credit Processes

Kevin Wilson, Director, Indirect Tax, Sitecore

Kevin Wilson provided a detailed, real-world look at how AI is already being integrated into the R&D credit process within a large software organization. His experience at Sitecore illustrates both the promise and the practical realities of deploying AI tools like Microsoft Copilot in a tax function.

Kevin described a process that leverages structured engineering data—primarily JIRA extracts—to form the backbone of the R&D study. Sitecore's engineers do not track time traditionally; rather, the company relies on sprint-based project structures. AI was used to analyze this dataset, identify major initiatives, and evaluate whether activities met the four-part test, with particular focus on demonstrating technical uncertainty and a process of experimentation, critical backbones of the credit.

One of the more notable innovations in Sitecore's approach was the development of custom Copilot skills prompts. These prompts enabled consistent evaluation of projects and individual engineers by applying predefined qualification criteria across large datasets. The output was highly structured documentation, including detailed, audit-ready reports for individual engineers—often running 7 to 10 pages—that articulated their contributions, the uncertainties involved, and how those uncertainties were addressed.

However, Kevin was clear that AI did not replace decision-making authority. Final determinations regarding eligibility and capitalization percentages remained with the tax department. In this model, AI serves as a powerful analytical and documentation tool, but not as the arbiter of qualification. Looking ahead, Sitecore plans to expand this approach by incorporating more direct input from engineering teams through AI-driven prompts that pull from calendars, communications, and other real-time data sources. This reflects a broader shift away from retrospective interviews toward continuous, data-driven documentation.

Kevin's contribution demonstrated that, when implemented thoughtfully, AI can significantly enhance both the efficiency and defensibility of an R&D credit study—but only when paired with strong governance and human oversight.



AI, Market Reality, and Strategic Risk

MASSIE Panel: Jason Massie, Founder/President; Ali Coad, Senior R&D Technical Writer; and Stephen Whiteaker, Director of Controversy

The panel discussion brought a wider lens to the conversation, focusing on how AI is changing the nature of R&D itself and what that means for tax credit studies.

Ali described a fundamental shift in how R&D work is being performed. Engineering teams are producing more output at a faster pace, driven largely by AI-assisted development tools. Tasks that once took weeks are now completed in days or even hours, dramatically accelerating iteration cycles.

This acceleration does not eliminate experimentation; rather, it compresses it. Trial and error still occurs, but at a much faster rate. At the same time, the composition of R&D investment is changing. Where headcount once dominated, organizations are now allocating more resources toward tools, cloud infrastructure, and compute capacity. Another important headcount shift is organizational: R&D is no longer confined to traditional engineering teams. Product managers, analysts, and even business users are increasingly involved in experimental work using AI tools to innovate.

Stephen Whiteaker added the IRS and audit-practitioner perspective, emphasizing that the Service is less concerned with whether taxpayers use AI and far more focused on whether the resulting documentation is credible, specific, and auditable. He stressed that AI introduces new gray areas around technical uncertainty and experimentation, particularly when tools appear to resolve problems too quickly or without clear human direction. From an audit standpoint, the key question is who actually made the decisions and evaluated the results: AI-assisted work can qualify, but only when human judgment and control are clearly demonstrated.

Jason Massie emphasized that, despite these changes, the core requirement remains unchanged: the credit hinges on technical uncertainty and a process of experimentation. AI does not alter this standard, it simply changes how work is performed and documented.

The panel also explored how AI is being used in practice within R&D studies. There is a clear movement away from interview-driven methodologies toward leveraging contemporaneous data sources such as JIRA tickets, emails, and calendars. This shift offers a more objective and consistent view of development activity, reducing reliance on memory and minimizing recency bias.



AI, Market Reality, and Strategic Risk

MASSIE Panel: Jason Massie, Founder/President; Ali Coad, Senior R&D Technical Writer; and Stephen Whiteaker, Director of Controversy

However, the panel was equally clear on the risks. Steve noted that AI-generated narratives can be overly generic, lacking the specificity needed to withstand audit scrutiny. There is also a risk of over-reliance, in which organizations allow AI to drive conclusions rather than simply support analysis. Perhaps most critically, insufficient documentation of how conclusions were reached can create a “black box” problem that undermines defensibility.

As Jason summarized during the discussion, the greatest risk is not using AI; it is overtrusting it. The IRS is unlikely to challenge the use of AI itself but will continue to focus on the fundamentals: documentation quality, clarity of reasoning, and evidence supporting the claim.

Key Takeaways:

- **R&D is expanding beyond engineering—credit strategies must account for broader participation across the organization**
- **Speed creates risk—faster development cycles can outpace documentation discipline**
- **Data-driven approaches are becoming standard—but require strong frameworks to link activity to qualification criteria**
- **Over-reliance on AI is a governance failure—executive oversight must ensure outputs are defensible, not just efficient**
- **Human involvement is now a key audit factor—organizations must clearly demonstrate decision-making ownership**
- **AI changes where uncertainty lives—but does not eliminate the need to prove it**
- **Documentation must show process, not just outcomes—“how” work was performed is becoming as important as “what” was done**
- **Policy alignment is critical—internal AI usage policies should anticipate IRS expectations**

Kevin’s Takeaways:

- **AI enables scale—large, decentralized R&D environments can be analyzed more consistently and efficiently**
- **Data infrastructure is now strategic—systems like JIRA, calendars, and internal platforms are becoming audit-critical assets**
- **Governance matters—AI outputs must be reviewed, validated, and controlled by tax and technical leadership**
- **Early integration drives value—embedding AI into workflows (vs. post-year analysis) improves both accuracy and defensibility**



presented by  MASSIE

**Mark your calendar for
our next Roundtable.**

September 24, 2026 | 2 PM EDT