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Sep. 23, 2017



The Internal Revenue Service has issued guidance to Large Business & International (LB&I) Division examiners regarding the examination of the credit for increasing research activities under IRC Section 41 (“Research Credit”) claimed by LB&I taxpayers.

Independently determining the correct amount of Research Credit claimed by LB&I taxpayers can be resource intensive for those taxpayers and LB&I examiners. The [directive](#) is intended to provide an efficient approach for determining the amount of qualified research expenses (“QREs”) for LB&I taxpayers while, at the same time, reducing the burden of doing so on LB&I taxpayers and examiners.

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research and development costs currently expensed on a taxpayer's Certified Audited Financial Statement pursuant to ASC 730 for U.S. GAAP purposes and includes certain specified adjustments made to ASC 730 Financial Statement R&D.

The directive only applies to LB&I taxpayers (i.e. assets equal to or greater than \$10 million) that follow U.S. GAAP to prepare their Certified Audited Financial Statements, which show as a separate line item on the income statement the amount of the currently expensed ASC 730 Financial Statement R&D included in their Certified Audited Financial Statements or show separately stated in a note to their Certified Audited Financial Statements.

The directive is not an official pronouncement of law, and cannot be used, cited, or relied on as such. In addition, nothing in the directive should be construed as affecting the operation of any other provision of the Internal Revenue Code, Treasury Regulations or guidance thereunder.

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