

R&D: IRC Section 174 Amortization Acceleration

R&D Capitalization Relief: Increase Cashflow in 2025

Recent legislation now allows businesses to immediately deduct domestic research and development (R&D) expenses, creating a valuable opportunity to recover cash and reduce future tax liabilities.



Cherry Bekaert can help you:

- **Claim deductions** for R&D expenditures capitalized in the tax years 2022 - 2024, starting in 2025.
- **Secure refunds** of taxes paid from the 2022 - 2024 tax years (for companies with less than \$31 million in average annual gross receipts).
- **Explore additional credits** at the federal and state levels that may have been missed.

Background

Starting with tax years beginning after December 31, 2024, businesses can immediately deduct domestic research and experimental (R&E) expenditures. However, foreign R&E expenses must still be capitalized and amortized over a 15-year period.

Refund Opportunities for Eligible Small Businesses

Eligible small businesses may benefit from retroactive deductions of domestic R&D expenses. Here's how:

- **Retroactive Deductions:** Businesses can elect to deduct domestic R&D costs in tax years 2022-2024.
- **Amended Returns Required:** A separate amended return must be filed for each affected taxable year.

- **Eligibility Criteria:** Applies to businesses with less than \$31 million in average annual gross receipts over the three years preceding the first tax year beginning after December 31, 2024.
- **Section 280C Coordination:** Taxpayers claiming the R&D Tax Credit under Section 41 may also make a Section 280C election—if done within one year of the law's enactment—to align with the retroactive deduction.

Elect To Deduct Unamortized R&D Costs From 2022 - 2024

Beginning in 2025, businesses have the option to deduct any remaining unamortized domestic R&D expenditures from tax years 2022 through 2024. This deduction can be taken either all at once or spread over two years, starting with the first tax year after December 31, 2024.

For example, a company may choose to deduct the full balance of unamortized R&D costs in the 2025 tax year, allowing for accelerated tax benefits and improved cash flow.

For eligible small businesses, the decision to amend prior tax returns or accelerate amortization into 2025-2026 can be complex, depending on factors such as entity type, R&D credits claimed in prior years, and the type of income the deduction may offset. Cherry Bekaert can help you analyze your options.

What To Expect From Our R&D Tax Review Process

Cherry Bekaert provides a thorough, step-by-step assessment to help you take full advantage of the latest R&D tax opportunities.

Phase I: Analyzing & Identifying Opportunities

The first phase of our process includes:

- 1. Initial Consultation:** We review your current accounting methods to identify potential opportunities and compliance considerations.
- 2. R&D Expense Review:** Our team evaluates your R&D expenditures and supporting documentation to ensure they meet IRS requirements.
- 3. Gross Receipts Analysis:** We document your gross receipts to determine eligibility for small business provisions under the new legislation.
- 4. Credit Opportunity Assessment:** We assess whether additional federal or state R&D credits could have been claimed in prior years.
- 5. State Tax Impact Review:** Our team analyzes how changes in federal taxable income may affect your state tax filings for prior years.
- 6. Estimated Tax Impact:** We assess how these changes may influence your current estimated tax payments.
- 7. Benefit Estimate:** Finally, our professionals provide a clear estimate of the potential tax benefit based on your specific situation.

Phase II: Implementation & Filing Support

Once opportunities are identified, Cherry Bekaert provides hands-on support to implement your R&D tax strategy:

Amended Returns for Small Businesses: We prepare and file amended tax returns to claim refunds for domestic R&D costs from prior years.

Accounting Method Changes for Large Businesses: Next, our team prepares and submits Form 3115 (or includes a disclosure with the tax return) to request an accounting method change—essential for aligning with the new R&D legislation.

Strategic Method Recommendations: Our professionals advise on optimal accounting methods to support long-term tax efficiency and compliance.

IRS-Ready Documentation: We deliver clear, audit-ready documentation covering accounting method changes, R&D activities (if applicable), and estimated tax benefits.

IRS Support: Our team also provides representation and defense in the event of an IRS inquiry or audit.



The Cherry Bekaert Difference

Maximize Your R&D Tax Benefits

- **Strategic Optimization:** Maximize your R&D credits and deductions through tailored accounting method adjustments.
- **Immediate Value:** Unlock cash refunds for prior-year R&D expenses and R&D credits—put your innovation investments to work now.

Experience You Can Trust

- **Specialized Knowledge:** Deep experience in R&D tax legislation and IRS compliance requirements.
- **Form 3115 Guidance:** Navigate accounting method changes with confidence, backed by our technical tax support.
- **Audit-Ready Confidence:** Be prepared with thorough documentation and a defensible position for IRS review.
- **Client-Centered Service:** Receive personalized support tailored to your company's size, industry and goals, delivered with transparent pricing and clearly defined deliverables, so there are no surprises, only results.

How Can Cherry Bekaert Help

Let Cherry Bekaert guide you through the complexities of the latest R&D tax legislation. Our experienced team will help you identify opportunities, manage compliance and maximize your refunds—so you can focus on innovation while we handle the details.

Contact us today to learn how we can support your business.



Martin Karamon

Partner, Tax Credits & Incentives Advisory Leader
martin.karamon@cbh.com



Vivian Kohrs

Partner, Tax Credits & Incentives Advisory
vivian.kohrs@cbh.com



Carolyn Smith Driscoll

Director, Tax Credits & Incentives Advisory
carolyn.driscoll@cbh.com



Jon Pfeffer

Director, Tax Services
jon.pfeffer@cbh.com

About Cherry Bekaert

"Cherry Bekaert" is the brand name under which Cherry Bekaert LLP and Cherry Bekaert Advisory LLC, independently owned entities, provide professional services in an alternative practice structure in accordance with applicable professional standards. Cherry Bekaert Advisory LLC is not a licensed CPA firm. Cherry Bekaert LLP is a licensed CPA firm that provides attest services, and Cherry Bekaert Advisory LLC and its subsidiary entities provide tax and advisory services. For more details, visit cbh.com/disclosure.

© 2025 Cherry Bekaert. All Rights Reserved. This material has been prepared for general informational purposes only and is not intended to be relied upon as tax, accounting, or other professional advice. Before taking any action, you should consult a professional advisor familiar with your particular facts and circumstances.

v. 07.09.2025 Brochure_R&D-Amortization-Services_1696814217

cbh.com/taxcredits

