

Subject Conformity; expensing for research expenditures

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Summary

H.F. 3816 would selectively conform to the federal changes in the One Big Beautiful Bill Act (OBBBA) to the deduction for certain research and experimental expenditures.

Prior to OBBBA, domestic research and experimental expenditures were amortized and deducted over five years, as prescribed by federal law, beginning in tax year 2022.

OBBBA allows these expenditures to be expensed in the year they are made. In addition, smaller businesses meeting the federal gross receipts test may elect to retroactively apply expensing to tax year 2022. Taxpayers who made expenditures in 2022 through 2024 may also elect to deduct remaining unamortized amounts in either tax year 2025, or in equal shares in tax years 2025 and 2026.

H.F. 3816 would be effective retroactively to tax year 2022 for electing smaller businesses, and to 2025 for all other taxpayers.