



October 30, 2023

Ms. Holly Paz
Commissioner
LB&I Division
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Ms. Jennifer Best
Deputy Commissioner
LB&I Division
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Comments on Proposed Changes to Form 6765, Credit for Increasing Research Activities

Dear Ms. Paz and Ms. Best,

The American Institute of CPAs (AICPA) appreciates the efforts of the Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) to [release](#) (on September 15, 2023) a preview of the [proposed changes to certain sections of Form 6765](#), Credit for Increasing Research Activities, which is also known as the research credit.

The AICPA has developed these comments, including an illustrative “mock-up” of AICPA recommendations incorporated into section F of the IRS draft updated Form 6765, in response to the request for feedback on the IRS proposed changes to Form 6765. Complying with the IRS proposed changes absent recommendations within this letter, particularly in Section F, will place a material administrative burden on all taxpayers and especially small taxpayers. Additionally, the new requirements may deter many taxpayers from claiming the credit as the time and cost to comply will significantly reduce the benefit to the taxpayer in claiming the credit. Finally, the new requirements are in direct conflict with Congress’ original intent of including the research credit within the Economic Recovery Tax Act of 1981 to reverse the decline of United States’ competitiveness within the global marketplace and incentivize investment and innovation within the country.

Consequently, the AICPA recommends changes to still allow the IRS to gain meaningful information to deem research credit claims from egregious to reasonable, resulting in a deployment of resources to the highest risk claims while balanced with the taxpayer burden of complying with requested information. We believe this approach promotes the IRS’ compliance goals while balancing the administrative burden placed on taxpayers to comply with the new requirements. The AICPA recommends that Treasury and IRS make edits to the following issues related to the proposed sections E and F of Form 6765.

1. Clarify the proposed changes to Section E to consider multitude of taxpayer fact patterns to gather data to risk assess credit claim. These adjustments will further inform higher quality outputs in Section F.
2. Modify the information requested in Section F to be fewer targeted questions with more focused and controlled responses, allowing the IRS higher quality information to risk assess.

3. Provide further clarifications and instructions related to Section E and Section F for taxpayers that use statistical sampling to determine qualified research expenditures (QREs).

These comments are in addition to previously submitted AICPA comments on [November 18, 2021](#) and [September 21, 2022](#) regarding section 41 research credit refund claims.¹

SPECIFIC COMMENTS

- 1. Clarify the proposed changes to Section E to consider multitude of taxpayer fact patterns to gather data to risk assess credit claim. These adjustments will further inform higher quality outputs in Section F.**

Overview

Proposed changes within Section E include the addition of five questions seeking miscellaneous information. The proposed requested information could create confusion for taxpayers related to different corporate organizational structures and size, for taxpayers that rely on the ASC Directive by requiring information that is counter to the goal of the Directive, or for taxpayers that may require compliance with the consistency requirements set forth in section² 41(c)(5) and Treas. Reg. § 1.41-9(2)(c).

Recommendations

The AICPA recommends the following:

- A. Revise line 46 to request the percentage of overall QREs that is derived from the top 5 officers of the taxpayer or provide guidance within the Form 6765 instructions that clearly defines which individuals would constitute an “officer” for each type and size of taxpayer.
- B. Combine line 47 and line 48, both of which are aimed at the consistency rule in section 41(c)(5) and Treas. Reg. § 1.41-9(c)(2), to ask whether any base period adjustments were made by the taxpayer.
- C. Clarify that taxpayers who respond “Yes” to line 49 and do not have additional QREs (i.e., QREs other than the amounts computed under the ASC 730 Directive) are not required to complete line 45 (number of business components) or line 46 (officers’ wages) of Section E (Other Information) or Section F (Business Component Information) for the “ASC 730” business component.

¹ See AICPA comments, “[Internal Revenue Code Section 41 Research Credit Refund Claims](#),” November 18, 2021, and “[Section 41 Research Credit Refund Claims](#),” September 21, 2022.

² Unless otherwise indicated, all references to a “section” are to a section of the Internal Revenue Code of 1986, as amended (the “Code”), and references to a “Treas. Reg. §” are to the Treasury regulations promulgated under the Code.

Analysis

The proposed requirement to provide the amount of officers' wages included as current year QREs will create confusion for taxpayers given that the term "officer" is not used in section 41, or the corresponding Treasury Regulations, and taxpayers employ a wide array of legal and organizational structures that may lead to inconsistent reporting.

The research credit is available to an eligible business that engages in qualified research activities. Generally, these businesses could include corporations, partnerships, sole proprietorships, and certain limited liability companies (LLCs). Each of these entities is structured differently from each other and vary in size and complexity. Further, titles can be structured to fit the needs of a specific taxpayer organization. Entities may have fewer officers or use titles differently, while larger entities may have a more formal hierarchy structure.

As different entities may define an "officer" inconsistently given varying legal structures, entity-types, and sizes, it is unlikely that the request as currently drafted effectively achieves its purpose of gathering analytics to de-risk the population for examination and to identify areas of abuse. It is not solely the type of entity that matters, but perhaps more importantly, the size of the entity that needs to be considered. Specific roles and titles of individuals in a small firm can vary greatly depending on the needs and goals of the business. In a two-person firm, individuals performing research activities with the job titles of CTO or CFO would not make them high risk.

Further, the AICPA urges the IRS to consider the sensitivity of taxpayers in disclosing individual wage information that may be uncomfortable revealing a company structure. As such, and in consideration of the variability in entity type, size and structure, it would be more advantageous for the IRS to assess the proportion of wages reported on lines 5 or 24 that can be attributed to the 5 highest-paid officers of the business, rather than relying solely on job titles or officer titles.

The proposed Form 6765 should be more direct in asking if taxpayers have complied with the consistency rule rather than asking indirect questions that may allow a reviewer to infer if the consistency rule has been met for certain taxpayers. Line 47 and line 48, as currently drafted, appear to seek information regarding a taxpayer's compliance with the consistency rule in section 41(c)(5) and Treas. Reg. § 1.41-9(2)(c). However, as currently drafted, line 47 asks about acquisitions and dispositions, while line 48 asks for any new categories of expenditures included in the current year QREs.

Acquisition-related base period adjustments and base period adjustments for different current and base year expenditures could be useful. However, taxpayers may interpret "new categories of expenditures" differently.

For example, some taxpayers may interpret the request to encompass three types of potentially eligible expenditure categories: wages paid or incurred to an employee for qualified services,³ amounts paid or incurred for supplies used in the conduct of qualified research;⁴ and amounts paid or incurred to another by the taxpayer to any person (other than an employee of the taxpayer) for

³ Section 41(b)(2)(A)(i).

⁴ Section 41(b)(2)(A)(ii).

qualified research.⁵ As currently written, the language in line 48 suggests that taxpayers should only indicate whether any of these “new categories of expenditures” are included in the current year QREs.

Such language invites additional confusion in instances where there is a multi-year project that spans both the base year and the credit year and a new project in the credit year that may not have existed in the base year. If this new project existed, but it generated no QREs in the base period, would there be a higher level of risk if the taxpayer checked “yes” to the as currently drafted line 48? Additionally, as cited above, taxpayers could check “no” if the “categories of expenditures” (i.e., wages, supplies, computer rentals, and contract research) existed in both the base as well as the current year expenditures.

For taxpayers that rely on the ASC 730 Directive to determine QREs, requiring information in Section E is counter to the goal and application of the Directive. Taxpayers who use the ASC 730 Directive to compute QREs may not collect, and are not required to collect, information on a business component basis and may not know the total number of business components. The ASC 730 Directive relies on a taxpayer’s books and records kept for financial statement reporting (e.g., research general ledger accounts; wage related accounts; chart of accounts), which may not reflect information on a business component basis. As adjusted ASC 730 financial statement research and development (R&D) amounts are grouped to be reported on Appendix C, line 19 and on Section E, line 49, and QRE amounts for specific categories of costs (wages, supplies and rental or lease costs of computers) are already required to be provided on Form 6765 (see Appendix C, lines 20-22), Section F is duplicative and not relevant.

Further, Appendix D (Adjusted ASC 730 Financial Statement R&D Wage Detail) provides information about wages of different categories of employees, including “Upper Level Managers” wages. Therefore, the Section E, line 46 is not relevant and taxpayers using the ASC 730 Directive may not have wage data for specific employees.

2. Modify the information requested in Section F to be fewer, targeted questions with more focused and controlled responses, allowing the IRS higher quality information to risk assess.

Overview

The requests within Section F of the proposed Form 6765 ask for a plethora of information about *all* qualifying business components that generated QREs. This includes business component name and description, indications of the types of activities within the business components, such as whether the business component was new or improved, the type and use, and a detailed list to select from if the QREs are associated with software. Section F also asks for various breakdowns of QREs beyond Sections A and B of the form.

Recommendations

The AICPA recommends the following:

⁵ Section 41(b)(3).

- A. Remove questions 50(a) and 50(b) as both inputs are already included in other areas of the tax return.
- B. Change question 50(c) from “business component’s descriptive name” to “business component name.”
- C. Limit the number of business components required to complete questions 50 – 57 to the lesser of the top ten total QRE generating business components or the business components that represent 80% of total QREs.
- D. Remove questions 50(d) (describe the information sought to be discovered and alternatives), 50(e) (new or improved), 50(g) (business component use), and 50(h) (software).
- E. Remove question 51 (direct research wages for qualified services), question 52 (direct supervision wages for qualified services) and question 53 (direct support wages for qualified services).
- F. Remove questions 58 – 64, as all inputs reported above in Sections A or B.

Analysis

While section 41(f)(1) and Treas. Reg. § 1.41-6(b) require that all members of a controlled group are treated as a single taxpayer for purposes of computing the research credit, not all members of a controlled group will have the detailed information requested throughout proposed Section F related to the full controlled group claim. The EIN and business activity code reported within the full tax return should provide the IRS with consistent and reliable information to risk assess the industry the taxpayer is claiming QREs within. Furthermore, inputs requested in question 50(b) are already included in other areas of the tax return. For example, the business activity code for a C-Corp filer is located on Form 1120, Schedule K, line 2a. Requiring the same input within Section F is redundant and will not provide new information about the business components.

Changing question 50(c) from “business component’s descriptive name” to “business component name.” Business component’s descriptive name could be confusing to taxpayers and result in inconsistent inputs that may suggest taxpayers should be creating a new business component descriptive name just for the purpose of matching the form’s request and that does not match the books and records that were utilized to determine qualification of the business component. Acceptable inputs for business component name can contain alphabetical characters, numeric values, or be alphanumeric in nature. By adapting this question, IRS will allow taxpayers more flexibility to report the business component name that already aligns with their books and records. This revision will also provide benefits upon potential IRS examination for information submitted with Form 6765 that will match the books and records supporting the qualifying business components.

Many taxpayers have hundreds, if not thousands, of qualifying business components generating QREs in a claim year. This situation is regardless of taxpayer size in revenue, assets, or total QREs. Requiring taxpayers to complete Section F for *every qualifying business component* goes well

beyond the Congressional intent of incentivizing taxpayers to invest in research and development activities, as the burden to complete this section could significantly outweigh the benefit of information. Section E is already asking taxpayers for the total number of business components. If the taxpayer is asked to provide information within Section F for the lesser of the top ten total QRE generating business components or the business components that represent 80% of total QREs, this level of information will still provide the IRS a sense of what types of QREs are included within the claim. This level of information will also allow the IRS to risk assess given they are now able to see the top ten largest projects or up to 80% of total QREs. This approach mimics an experience that taxpayers have noted is consistent with the focus of IRS examinations as well. The rate of return for providing this level of information is of great diminishing returns beyond this point, both for the taxpayer in the resources it would require to produce this level of information at the time of tax return filing as well as for the IRS to truly risk assess based on detailed inputs for hundreds and thousands of projects.

IRS should remove questions 50(d), 50(e), 50(g), 50(h) and replace or edit with other questions included within these recommendations. By providing the business component name and type (product, process, computer software, technique, formula, or invention), the taxpayer is providing defined information (choosing from a list) that can be clearly and consistently followed. In addition, these are inputs that most taxpayers would be able to clearly answer without undue administrative burden. For example, asking the taxpayer in question 50(e) to determine whether the business component is new or improved could be confusing to taxpayers when it comes to business components that span multiple years, the materiality of when improved is high enough to suggest it is new, and much more. Given that the development of new and improved business components are equally qualified for the research credit, this response appears unnecessary. It would likely result in low quality and inconsistent responses from many taxpayers that would not allow the IRS to consistently risk assess whether the taxpayer relied on the appropriate criteria in identifying qualifying business components. Finally, these inputs will assist the IRS in their goal of risk assessment of the types of QREs within the largest business components that make up a research credit claim. Asking for the level of detail within questions 50(d), 50(e), 50(g), and 50(h) will require an excessive amount of taxpayer time not only from a compliance perspective in getting the information organized and completed on the form but also a timing difference of having this information readily available at the time of tax return filing. Requiring the level of detail requested in questions 50(d), 50(e), 50(g) and 50(h) also seems inconsistent with section 41(h)(6)(B) that requires the Secretary to prescribe regulations to minimize compliance and recordkeeping burdens under section 41. Furthermore, more time to complete the records for this kind of qualitative information will be helpful to taxpayers, particularly small taxpayers where the resources to compile information may not always be readily available.

If the IRS can adopt the other recommendations within Section F, this would allow a “controlled” response by checking a box that would be more clearly and cleanly answered and not left to subjectivity, such as any requested qualitative inputs.

Wages for qualified services have historically been reported as a single line item on the Form 6765. Section F of the proposed Form 6765 now requires taxpayers to break out, for each business component, the wage QREs by direct research wages for qualified services, direct supervision wages for qualified services, and direct support wages for qualified services. The term “qualified services” means services consisting of engaging in qualified research, *or engaging in the direct*

supervision or direct support of research activities which constitute qualified research. The AICPA does not believe breaking this down further, and at the business component level, would help inform high risk cases, as the law clearly allows qualification for in-house wages of all types. In addition, the amount of record-keeping burden to allow taxpayers to even bifurcate wages to this level of detail would be materially burdensome. If the taxpayer has already provided inputs to other areas within Sections E and F, as recommended and adjusted within this letter, this should result in a *material* amount of information the IRS does not currently have and that would significantly help identify the highest risk cases.

Finally, information requested in Questions 58 – 64 is already reported in Sections A or B of form 6765. IRS should remove these questions from Section F and direct taxpayers back to Sections A and B of Form 6765 where all four QRE types (wages for qualified services, supplies, rental or least cost of computers, and applicable amount of contract research) are already reported and broken down. This revision will reduce confusion amongst taxpayers to report the same information in two different places on the form.

3. Provide further clarifications and instructions related to Section E and Section F for taxpayers that use statistical sampling to determine QREs.

Overview

Taxpayers will often use statistical sampling to determine and substantiate QREs, which significantly reduces the administrative burden both to the IRS and the taxpayer. Determining QREs using a valid statistical sampling estimation methodology generally involves identifying the appropriate population of items, grouping similar items (stratification), drawing a sample of the items in each strata for further analysis, and extrapolating the results of the analysis of the sample items to the rest of the population items in the strata. Often, all items within a strata with a small number of sample items will be evaluated and the results not extrapolated to other items in the population (a certainty strata). Using a valid statistical sample methodology relieves the taxpayer and the IRS of the burden of analyzing all items in the population. The focus of the analysis for identifying QREs is limited to the sample items.

Recommendations

The AICPA recommends the following:

- A. Clarify that taxpayers who use a valid statistical sampling methodology to estimate QREs are required to provide the information requested in Section F only for business components that are sample items (and not for every item in the population).
- B. Update the instructions for taxpayers using statistical sampling to estimate QREs be exempted from responding to line 46 (officer's wages) and line 48 (new categories of expenditures), as this information is not available when statistical sampling methodologies are applied.

Analysis

The IRS and Treasury have long recognized the value of statistical sampling as a reliable evaluative and estimation tool.⁶ Statistical sampling estimates have been accepted as adequate substantiation for items on tax returns. For example, Rev. Proc. 2004-29 provides a statistical sampling methodology that may be used in establishing the amount of substantiated meal and entertainment expenses excepted from the disallowance. Then Commissioner Mark Everson said, upon the release of Rev. Proc. 2004-29, “Today’s announcement reflects our goal to impose the least amount of burden necessary for taxpayers to meet their tax responsibilities.... We’re pleased to take this step and any others that will help reduce the burden.”⁷ In the same news release, Acting Assistant Secretary for Tax Policy Gregory Jenner also commented that the “Use of statistical sampling in this context significantly reduced taxpayer burden.... Providing guidance on how to use statistical sampling provides certainty and will reduce future controversy.”⁸

As stated in the IRS Field Directive on the Use of Sampling Methodologies in Research Credit Cases (March 2022),⁹ “[s]tatistical sampling is quite often used in research credit cases for greater audit efficiency. In fact, statistical sampling should be considered in a research credit case whenever an excessive amount of time and resources would be needed to adequately examine all of the taxpayer’s projects.” The Field Directive further states that “A professional statistician retained by the Service...concluded that research projects are an appropriate sampling unit. Furthermore, as discussed in this paper, statistical sampling can also be used on employees, contractors, and contracts.”

For taxpayers utilizing a statistical sample in calculation of research credits, because results of the sample items are extrapolated to other items in the population, these taxpayers do not conduct a detailed analysis of all items in the population that are not sample items, as this would defeat the purpose of applying a statistical sampling methodology (i.e., to avoid using excessive amounts of time and resources to analyze all of the taxpayer’s projects). Therefore, taxpayers using statistical sampling to reduce the burden necessary to meet their tax responsibilities would not collect the information requested in Section F for each business component in the population. The September 15, 2023, [press release](#) accompanying the release of the preview of proposed changes to Form 6765 stated that the proposed changes to Form 6765 will “build on ongoing efforts to manage Research Credit issues and resources in the most effective and efficient manner possible.”¹⁰ The press release also noted the significant resources consumed by both taxpayers and the IRS related to research credit examinations. Therefore, requesting business component information in Section F from only sample items serves this purpose.

Similarly, information related to Section E, line 46 (officer’s wages) and line 48 (new categories of expenditures) may not be available when statistical sampling methodologies are applied because the specific information relating to those two items is not analyzed for every business component reflected in the population.

⁶ [Rev. Proc. 2011-42](#).

⁷ IRS News Release, May 3, 2004 ([IR-2004-63](#)).

⁸ IRS News Release, May 3, 2004 ([IR-2004-63](#)).

⁹ [Field Directive use of Sampling Methodologies in Research Credit Cases](#).

¹⁰ IRS News Release, September 15, 2023 ([IR-2023-173](#)).

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If a limit on the number of business components or QREs required to be reflected on Section F is adopted, taxpayers using statistical sampling methodologies should not be required to provide more information than other taxpayers, and therefore, the same limits on business component information should apply.

We hope IRS considers our above feedback and recommendations and the attached AICPA suggested revisions to the IRS September 15, 2023, updated draft Form 6765.

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The AICPA is the world's largest member association representation the accounting profession, with more than 421,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We appreciate your consideration of our recommendations and welcome the opportunity to further discuss our comments. If you have any questions, please contact Shelby Ford, AICPA Research Credit Refund Claims Working Group Chair, at (865) 539-5618 or Shelby.Ford@crowe.com; Reema Patel, Senior Manager - AICPA Tax Policy & Advocacy, at (202) 434-9217, or reema.patel@aicpa-cima.com; or me at (830) 372-9692 or bvickers@alamo-group.com.

Sincerely,



Blake Vickers, CPA, CGMA
Chair, AICPA Tax Executive Committee

Enclosure

cc: Mr. Timothy Powell, Tax Policy Advisor, Office of Tax Legislative Counsel, Department of the Treasury
Mr. Shamik Trivedi, Attorney-Advisor, Office of Tax Legislative Counsel, Department of the Treasury
Mr. Colin Campbell, Attorney-Advisor, Office of Tax Policy, Department of the Treasury
Mr. Scott Vance, Associate Chief Counsel, Income Tax & Accounting, Internal Revenue Service
Ms. Julie Hanlon-Bolton, Deputy Associate Chief Counsel, Income Tax & Accounting, Internal Revenue Service
Ms. Karla Meola, Special Counsel, Associate Chief Counsel, Income Tax & Accounting, Internal Revenue Service
Ms. Holly Porter, Associate Chief Counsel, Passthroughs & Special Industries, Internal Revenue Service

AICPA's Proposed Changes to Section F of Form 6765, Credit for Increasing Research

6765

Credit for Increasing Research Activities

OMB No. 1545-0619

Form (Rev. December XXXX)
Department of the Treasury
Internal Revenue Service

Attach to your tax return.
Go to www.irs.gov/Form6765 for instructions and the latest information.

Attachment
Sequence No. **81**

Name(s) shown on return

Identifying number

- A** Are you electing the reduced credit under IRC 280C (see instructions)? Yes No
- B** Are you a member of a controlled group or business under common control? Yes No

Section A—Regular Credit. Skip this section and go to Section B if you are electing or previously elected (and are not revoking) the alternative simplified credit.

1	Certain amounts paid or incurred to energy consortia (see instructions)		1	
2	Basic research payments to qualified organizations (see instructions)	2		
3	Qualified organization base period amount	3		
4	Subtract line 3 from line 2. If zero or less, enter -0-		4	
Note: Complete Section F before entering amounts for lines 5 through 9.				
5	Wages for qualified services. Enter the amount from line 58	5		
6	Cost of supplies. Enter the amount from line 59	6		
7	Rental or lease costs of computers (see instructions). Enter the amount from line 60	7		
8	Enter the applicable amount of contract research expenses. Enter the amount from line 63. See instructions	8		
9	Total qualified research expenses (QRE). Enter the amount from line 64	9		
10	Enter fixed-base percentage, but not more than 16% (0.16) (see instructions)	10		%
11	Enter average annual gross receipts. See instructions	11		
12	Multiply line 11 by the percentage on line 10	12		
13	Subtract line 12 from line 9. If zero or less, enter -0-	13		
14	Multiply line 9 by 50% (0.50)	14		
15	Enter the smaller of line 13 or line 14		15	
16	Add lines 1, 4, and 15		16	
17	If you elect the reduced credit under section 280C, then multiply line 16 by 15.8% (0.158). If not multiply line 16 by 20% (0.20) and see the instructions for the statement that must be attached		17	

Section B—Alternative Simplified Credit. Skip this section if you are completing Section A.

18	Certain amounts paid or incurred to energy consortia (see the line 1 instructions)		18	
19	Basic research payments to qualified organizations (see the line 2 instructions)	19		
20	Qualified organization base period amount (see the line 3 instructions)	20		
21	Subtract line 20 from line 19. If zero or less, enter -0-		21	
22	Add lines 18 and 21		22	
23	Multiply line 22 by 20% (0.20)		23	
Note: Complete Section F before entering amounts for lines 24 through lines 28				
24	Wages for qualified services. Enter the amount from line 58	24		
25	Cost of supplies. Enter the amount from line 59	25		
26	Rental or lease costs of computers (see the line 7 instructions). Enter the amount from line 60	26		
27	Enter the applicable amount of contract research expenses. Enter the amount from line 63. See the line 8 instructions	27		
28	Total qualified research expenses (QRE). Enter the amount from line 64	28		
29	Enter your total QRE for the prior 3 tax years. If you had no QRE in any 1 of those years, skip lines 30 and 31	29		
30	Divide line 29 by 6.0	30		
31	Subtract line 30 from line 28. If zero or less, enter -0-	31		
32	Multiply line 31 by 14% (0.14). If you skipped lines 30 and 31, multiply line 28 by 6% (0.06)		32	
33	Add lines 23 and 32		33	
34	If you elect the reduced credit under section 280C, then multiply line 33 by 79% (0.79). If not, enter the amount from line 33 and see the line 17 instructions for the statement that must be attached		34	

Section C—Current Year Credit

35	Enter the portion of the credit from Form 8932, line 2, that is attributable to wages that were also used to figure the credit on line 17 or line 34 (whichever applies)	35	
36	Subtract line 35 from line 17 or line 34 (whichever applies). If zero or less, enter -0-	36	
37	Credit for increasing research activities from partnerships, S corporations, estates, and trusts . . .	37	
38	Add lines 36 and 37 <ul style="list-style-type: none"> • Estates and trusts, go to line 39. • Partnerships and S corporations not electing the payroll tax credit, stop here and report this amount on Schedule K. • Partnerships and S corporations electing the payroll tax credit, complete Section D and report on Schedule K the amount on this line reduced by the amount on line 44. • Eligible small businesses, stop here and report the credit on Form 3800, Part III, line 4i. See instructions for the definition of eligible small business. • Filers other than eligible small businesses, stop here and report the credit on Form 3800, Part III, line 1c. Note: Qualified small business filers, other than partnerships and S corporations, electing the payroll tax credit must complete Form 3800 before completing Section D.	38	
39	Amount allocated to beneficiaries of the estate or trust (see instructions)	39	
40	Estates and trusts, subtract line 39 from line 38. For eligible small businesses, report the credit on Form 3800, Part III, line 4i. See instructions. For filers other than eligible small businesses, report the credit on Form 3800, Part III, line 1c	40	

Section D—Qualified Small Business Payroll Tax Election and Payroll Tax Credit. Skip this section and go to Section E if the payroll tax election does not apply. See instructions.

41a	Check this box if you are a qualified small business electing the payroll tax credit. See instructions <input type="checkbox"/>		
b	Check this box if payroll tax is reported under a different EIN. <input type="checkbox"/>		
42	Enter the portion of line 36 elected as a payroll tax credit (do not enter more than \$500,000). See instructions	42	
43	General business credit carryforward from the current year (see instructions). Partnerships and S corporations, skip this line and go to line 44	43	
44	Partnerships and S corporations, enter the smaller of line 36 or line 42. All others, enter the smallest of line 36, line 42, or line 43. Enter here and on the applicable line of Form 8974, Part 1, column (e). Members of controlled groups or businesses under common control, see instructions for the statement that must be attached	44	

Section E—Other Information (See instructions)

45	Enter the number of business components generating the credit computed on line 15 or line 32	45	
46	Enter the amount of officers' wages included in line 5 or line 24	46	
47	Did you have a base year adjustment? Yes <input type="checkbox"/> No <input type="checkbox"/>		
48	Did you determine any of the QREs on line 9 or line 28 utilizing statistical sampling? Yes <input type="checkbox"/> No <input type="checkbox"/>		
49	Did you determine any of the QREs on line 9 or line 28 following the ASC 730 Directive? Yes <input type="checkbox"/> No <input type="checkbox"/> If "Yes," enter the amount of ASC 730 QREs from Appendix C, Line 19 and disregard Section F for those related QREs. This ASC 730 Directive only applies to taxpayers with assets equal to or greater than \$10,000,000 who follow U.S. GAAP to prepare their Certified Audited Financial Statements showing the amount of currently expensed Financial Statement R&D. See instructions.	49	

AICPA's Proposed Changes to Form 6765, Credit for Increasing Research Activities

Section F—Business Component Information. Information for each business component. Complete Lines 50 through 55 for the lessor of: a) the top ten total QRE generating business components, or b) business components that represent 80% of total QREs. See instructions for exceptions.

BC	50(a) Business component name	50(b) Business component type					
		Product	Process	Computer Software	Technique	Formula	Invention
1		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BC	51 Wages for qualified services	52 Cost of supplies	53 Rental or least cost of computers	54 Applicable amount of contract research	55 Total QREs
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					