

Update: How will Significant Changes to R&D Expensing in 2022 Impact Your Technology Business?

December 5, 2022



As we approach year-end, it is important to understand the recent changes to the tax treatment of Research & Development (R&D) costs. As discussed in our previous [Anchin Alert](#), taxpayers will no longer be eligible to immediately deduct their R&D and software development costs for tax years beginning after December 31, 2021. Taxpayers will now be required to capitalize and amortize these costs over a period of 5 to 15 years, depending on whether the activities occurred in the United States or in another country. If not planned properly, the loss of these immediate deductions could result in large income tax balances due for companies with significant R&D spend, whether they have been historically profitable or operating at a loss.

Although there have been several legislative attempts by Congress to stall or repeal these changes, no such revisions have passed thus far. While we are still hopeful and optimistic that these changes will be deferred or reversed entirely in the coming weeks or months, Anchin is prepared to assist with the analysis to identify which R&D costs are subject to the new treatment, and plan for their related tax effects.

To learn more about how these changes may impact your business, contact [Chris](#)

[Noble](#), Partner and Leader of the [Technology](#) Group, [Yair Holtzman](#), Partner and Leader of Anchin's [R&D Tax Credits](#) Practice, or your Anchin Relationship Partner to discuss how to plan for these changes.