Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting. (Also, Part 1, §§ 174, 174A, 280C, 446; 1.280C-4, 1.446-1.)

Rev. Proc. 2025-28

SECTION 1. PURPOSE

This revenue procedure provides procedures for making certain elections under § 70302(f) of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), for domestic research or experimental expenditures. This revenue procedure modifies procedures under § 446 of the Internal Revenue Code (Code)[1] and § 1.446-1(e) for obtaining automatic consent of the Commissioner of Internal Revenue (Commissioner) to (i) change methods of accounting for research or experimental expenditures under § 174, as in effect after amendment by

[1] Unless otherwise specified, all "section" or "§" references are to sections of the Code, the Income Tax Regulations (26 CFR part 1), or the Procedure and Administration Regulations (26 CFR Part 301).

§ 13206(a) of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), commonly known as the Tax Cuts and Jobs Act (TCJA), and prior to amendment by § 70302(b)(1) of the OBBBA, and (ii) change methods of accounting to comply with §§ 174 and 174A (as amended and enacted by the OBBBA, respectively). This revenue procedure also provides procedures for making elections under § 174A(c) to amortize domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024. Finally, for a taxable year beginning during 2024 and ending prior to September 15, 2025, for which the due date (excluding any extension) for the return of tax for such taxable year was before September 15, 2025 (2024 taxable year), section 8 of this revenue procedure grants an automatic extension of time to file superseding tax and information returns applying the provisions of this revenue procedure.

SECTION 2. BACKGROUND

.01 Certain terms used in this revenue procedure.

(1) References to § 70302 of the OBBBA. All references hereinafter in this revenue procedure to "OBBBA § 70302" refer to provisions of § 70302 of the OBBBA.

(2) References to § 174. All references in this revenue procedure to "TCJA § 174" refer to § 174, as in effect after amendment by § 13206(a) of the TCJA, and prior to amendment by OBBBA § 70302(b)(1). All references in this revenue procedure to "§ 174" refer to § 174 as amended by OBBBA § 70302(b)(1).

(3) References to § 280C. All references in this revenue procedure to "TCJA § 280C" refer to § 280C as in effect after amendment by the TCJA and prior to amendment by OBBBA § 70302(b)(2)(B). All references in this revenue procedure to

"§ 280C" refer to § 280C as amended by OBBBA § 70302(b)(2)(B).

(4) References to specified research or experimental expenditures. All references to "specified research or experimental expenditures" and "SRE expenditures" refer to research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025, under TCJA § 174. All references to "domestic research or experimental expenditures under TCJA § 174" refer to SRE expenditures other than SRE expenditures attributable to foreign research (within the meaning of § 41(d)(4)(F)).

.02 Treatment of research or experimental expenditures under TCJA § 174. For expenditures paid or incurred in taxable years beginning after December 31, 2021, TCJA § 174 requires taxpayers to charge SRE expenditures to capital account and allows amortization deductions of such capitalized expenditures ratably over a 5-year period in the case of SRE expenditures attributable to domestic research, or a 15-year period in the case of SRE expenditures attributable to foreign research (within the meaning of § 41(d)(4)(F)), beginning with the midpoint of the taxable year in which such expenditures are paid or incurred. The procedures in sections 7.01 and 7.03 of Rev. Proc. 2025-23, 2025-24 I.R.B. 1476, as modified by this revenue procedure, provide automatic changes in method of accounting for research or experimental expenditures under TCJA § 174 for amounts paid or incurred in taxable years beginning before January 1, 2025.

.03 Treatment of foreign research or experimental expenditures under § 174.

(1) OBBBA § 70302(b)(1) amended TCJA § 174 to provide that § 174 applies only to foreign research or experimental expenditures and that such expenditures continue to

be amortized ratably over a 15-year period beginning with the midpoint of the taxable year in which such expenditures are paid or incurred. Under § 174(b), as amended by OBBBA § 70302(b)(1)(B), foreign research or experimental expenditures are research or experimental expenditures which are paid or incurred by the taxpayer during a taxable year in connection with the taxpayer's trade or business which are attributable to foreign research (within the meaning of § 41(d)(4)(F)). OBBBA § 70302(e)(1) provides that these amendments apply to amounts paid or incurred in taxable years beginning after December 31, 2024.

(2) OBBBA § 70302(b)(1)(C) amended TCJA § 174(d) to provide that, if any property with respect to which foreign research or experimental expenditures are paid or incurred is disposed, retired, or abandoned during the period during which such expenditures are allowed as an amortization deduction under this section, no deduction or reduction to amount realized is allowed with respect to such expenditures on account of such disposition, retirement, or abandonment and such amortization deduction continues with respect to such expenditures. OBBBA § 70302(e)(2)(A) provides that these amendments to § 174(d) apply to property disposed, retired, or abandoned after May 12, 2025.

(3) The procedures in section 7.03 of Rev. Proc. 2025-23, as modified by this revenue procedure, provide an automatic change in method of accounting for foreign research or experimental expenditures under TCJA § 174 for amounts paid or incurred in taxable years beginning before January 1, 2025, for foreign research or experimental expenditures under § 174 for amounts paid or incurred in taxable years beginning after December 31, 2024.

.04 Treatment of domestic research or experimental expenditures under § 174A.

(1) OBBBA § 70302(a) amended Part VI of subchapter B of chapter 1 of subtitle A of the Code by adding § 174A.

(2) Section 174A(a) provides that, notwithstanding § 263, a deduction is allowed for any domestic research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year.

(3) Section 174A(b) provides that, for purposes of § 174A, the term "domestic research or experimental expenditures" means research or experimental expenditures paid or incurred by the taxpayer in connection with the taxpayer's trade or business other than such expenditures which are attributable to foreign research (within the meaning of § 41(d)(4)(F)).

(4) Section 174A(c)(1) allows a taxpayer to make an election, in the case of domestic research or experimental expenditures which would (but for § 174A(a)) be chargeable to capital account but not chargeable to property of a character which is subject to the allowance under § 167 (relating to allowance for depreciation, etc.) or § 611 (relating to allowance for depletion), to charge such expenditures to capital account and amortize such expenditures ratably over a period of not less than 60 months, beginning with the month in which the taxpayer first realizes benefits from such expenditures. Under § 174A(c)(1), such election is made in accordance with regulations or other guidance provided by the Secretary of the Treasury or the Secretary's delegate (Secretary). Section 174A(c)(2) provides that the election described in § 174A(c)(1) may be made for any taxable year, but only if made not later than the time prescribed by law for filing the return for such taxable year (including

extensions thereof). The procedures in section 6 of this revenue procedure provide guidance on making an election under § 174A(c) for expenditures paid or incurred in taxable years beginning after December 31, 2024.

(5) Section 174A(c)(2) further provides that a taxpayer's computation of taxable income for the taxable year for which the election is made, and for all subsequent taxable years, must be based on the method the taxpayer has elected and the amortization period the taxpayer has selected. The taxpayer may, with the approval of the Secretary, change to a different method, or a different period, with respect to part or all of such expenditures. The election does not apply to any expenditures paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election.

(6) Section 174A(d)(1) provides that § 174A does not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under § 167 or § 611; but for purposes of § 174A, allowances under § 167 and allowances under § 611 are considered as expenditures.

(7) Section 174A(d)(2) provides that § 174A does not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

(8) Section 174A(d)(3) provides that, for purposes of § 174A, any amount paid or incurred in connection with the development of any software is treated as a research or experimental expenditure.

(9) OBBBA § 70302(e)(1) provides that, generally, the amendments made by

OBBBA § 70302 to add § 174A to the Code apply to amounts paid or incurred in taxable years beginning after December 31, 2024.

(10) OBBBA § 70302(c)(1) provides that, generally, the amendments made by OBBBA § 70302 to add § 174A to the Code are treated as a change in method of accounting for purposes of § 481 that is (i) treated as initiated by the taxpayer, (ii) treated as made with the consent of the Secretary, and (iii) applied only on a cut-off basis for any domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024, and that no adjustments under § 481(a) may be made. The procedures in section 7.02 of Rev. Proc. 2025-23, as modified by this revenue procedure, provide an automatic change in method of accounting for domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024, to change to a method of accounting provided in § 174A.

(11) OBBBA § 70302(c)(2) provides special rules for changes in method of accounting for a taxable year that begins after December 31, 2024, and ends before July 4, 2025 (the date of enactment of the OBBBA). The procedures in section 7.02 of Rev. Proc. 2025-23, as modified by this revenue procedure, provide transition rules for taxpayers with short 2025 taxable years that are changing their method of accounting under § 174A for amounts paid or incurred in taxable years beginning after December 31, 2024.

.05 <u>OBBBA amendment to § 280C(c)(1) and continued application of § 280C(c)(2)</u>.

(1) TCJA § 280C(c)(1) provides that if the amount of the research credit for the taxable year under § 41(a)(1) exceeds the amount allowable as a deduction for such

taxable year for qualified research expenses or basic research expenses, then the amount chargeable to capital account for the taxable year for such expenses is reduced by the amount of such excess.

(2) OBBBA § 70302(b)(2)(B) amended TCJA § 280C(c)(1) to provide that the domestic research or experimental expenditures (as defined in § 174A(b)) otherwise taken into account as a deduction or charged to capital account under chapter 1 of the Code are reduced by the amount of the credit allowed under § 41(a). OBBBA § 70302(e)(4) makes clear that this amendment does not create any inference with respect to the proper application of § 280C(c) with respect to taxable years beginning before January 1, 2025.

(3) Section 280C(c)(2)(A) allows taxpayers to elect to receive a reduced credit under § 41(a), in lieu of reducing the amount of domestic research or experimental expenditures otherwise taken into account as a deduction or charged to capital account. Section 280C(c)(2)(C) provides that an election under § 280C(c)(2) for any taxable year must be made not later than the time for filing the return of tax for such year (including extensions), and that such election is irrevocable. The OBBBA made no amendments to § 280C(c)(2).

.06 Treatment of domestic research or experimental expenditures previously subject to TCJA § 174.

(1) In general.

(a) Notwithstanding the effective date provided in OBBBA § 70302(e)(1), which provides that the OBBBA amendments apply to amounts paid or incurred in taxable years beginning after December 31, 2024, OBBBA § 70302(f) provides transition rules

for domestic research or experimental expenditures that allow an election to change the amortization period over which any remaining unamortized amount arising from the application of TCJA § 174 is taken into account, as well as an election for retroactive application of OBBBA § 70302 by certain eligible taxpayers.

(b) OBBBA § 70302(f)(2)(A) provides that, in the case of domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025, and which were charged to capital account under TCJA § 174, a taxpayer may elect to amortize any remaining unamortized amount with respect to such expenditures in full in the first taxable year beginning after December 31, 2024, or alternatively, amortize such remaining unamortized amount with respect to such expenditures ratably over the 2-taxable year period beginning with the first taxable year beginning after December 31, 2024.

(c) OBBBA § 70302(f)(2)(B) provides that a taxpayer that makes an election under OBBBA § 70302(f)(2)(A) is treated as initiating a change in method of accounting for purposes of § 481 with respect to the expenditures to which the election applies. Further, the change is treated as made with the consent of the Secretary and must be applied only on a cut-off basis for such expenditures, and no adjustments under § 481 may be made. The procedures in section 7.02 of Rev. Proc. 2025-23, as modified by this revenue procedure, provide an automatic change in method of accounting for amortizing the remaining unamortized amount previously capitalized under TCJA § 174 under OBBBA § 70302(f)(2).

(2) Small business taxpayers.

(a) OBBBA § 70302(f)(1)(A) provides that, at the election of an “eligible

taxpayer," § 174A applies to amounts paid or incurred in taxable years beginning after December 31, 2021, and § 280C, as amended by OBBBA § 70302(b)(2)(B), applies in taxable years beginning after December 31, 2021. An eligible taxpayer making an election under OBBBA § 70302(f)(1)(A) generally must file an amended return for each taxable year affected by such election. OBBBA § 70302(f)(1)(B) defines an "eligible taxpayer" as any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under § 448(a)(3)) which meets the gross receipts test of § 448(c) for the first taxable year beginning after December 31, 2024.

(b) OBBBA § 70302(f)(1)(A) provides that this election must be made in the manner provided by the Secretary and not later than the date that is one year after the date of enactment of the OBBBA, which is July 4, 2026. Section 7503 provides where the last day for performing an act under the internal revenue laws falls on a Saturday, Sunday, or legal holiday, the performance of such act will be considered timely if it is completed on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Because July 4, 2026, is a Saturday, the election under OBBBA § 70302(f)(1)(A) must be made by Monday, July 6, 2026. The OBBBA did not modify, or provide an exception to, the statutory period of limitations on filing a claim for credit or refund under § 6511 for purposes of the elections under OBBBA § 70302(f). Section 6511(a) generally provides that a claim for credit or refund is timely if it is filed by the taxpayer within three years from the time the return was filed or two years from the time the tax was paid, whichever period expires later. Section 6511(b) provides limits on the amount of a claim for credit or refund. Section 6511(b)(2)(A) generally provides that for a claim filed within the

three-year period under § 6511(a), the amount of the credit or refund cannot exceed the portion of tax paid within the period, immediately preceding the filing of the claim, equal to three years plus the period of any extension of time for filing that return. Section 6511(b)(2)(B) generally provides that if a claim is not filed within the three-year period, the amount of the credit or refund may not exceed the portion of the tax paid during the two years immediately preceding the filing of the claim. Under § 6513(a), for purposes of § 6511, any return filed before the last day prescribed for the filing thereof is considered filed on such last day.

(c) Section 3 of this revenue procedure sets forth the procedures under which an eligible taxpayer may elect to retroactively apply § 174A under OBBBA § 70302(f)(1)(A).

(d) OBBBA § 70302(f)(1)(C) provides that the election under OBBBA § 70302(f)(1)(A) may alternatively be implemented as a change in method of accounting for purposes of § 481 for an eligible taxpayer's first taxable year affected by such election and will be treated as initiated by the taxpayer for such taxable year and made with the consent of the Secretary. The procedures in section 7.02 of Rev. Proc. 2025-23, as modified by this revenue procedure, provide an automatic change in method of accounting for retroactive application of § 174A by an eligible taxpayer that wants to treat the election provided in OBBBA § 70302(f)(1)(A) as a change in method of accounting.

(e) OBBBA § 70302(f)(1)(D) provides that an election under § 280C(c)(2), or a revocation of a § 280C(c)(2) election, for any taxable year beginning after December 31, 2021, by an eligible taxpayer making an election under OBBBA § 70302(f)(1)(A) will not fail to be treated as timely made (or as made on the return) if made during the 1-year

period beginning on the date of enactment of the OBBBA, which is July 4, 2025, on an amended return for such taxable year. The 1-year period beginning on July 4, 2025, ends on July 3, 2026. Section 7503 provides where the last day for performing an act under the internal revenue laws falls on a Saturday, Sunday, or legal holiday, the performance of such act will be considered timely if it is completed on the next succeeding day that is not a Saturday, Sunday, or legal holiday. Because July 3, 2026, is a legal holiday recognizing Independence Day, the election under OBBBA § 70302(f)(1)(D) must be made by the earlier of the close of the eligible taxpayer's period of limitations on filing a claim for credit or refund under § 6511 or Monday, July 6, 2026. As previously discussed, the OBBBA did not modify, or provide an exception to § 6511 for purposes of the elections under OBBBA § 70302(f).

(f) Sections 4 and 5 of this revenue procedure, respectively, set forth the procedures under which an eligible taxpayer may make a late election, or revoke an election, under § 280C(c)(2).

.07 Changing methods of accounting under § 446(e).

(1) In general.

(a) Except as otherwise expressly provided in the Code and the regulations thereunder, § 446(e) and § 1.446-1(e)(2) require a taxpayer to secure the consent of the Commissioner before changing a method of accounting for Federal income tax purposes. Section 1.446-1(e)(3)(i) provides, in part, that except as otherwise provided under the authority of § 1.446-1(e)(3)(ii), to secure the Commissioner's consent to a taxpayer's change in method of accounting the taxpayer generally must file a Form 3115, *Application for Change in Accounting Method*, with the Commissioner during the

taxable year in which the taxpayer desires to make the change in method of accounting. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures under which taxpayers will be permitted to change their method of accounting. The administrative procedures prescribe those terms and conditions necessary to obtain the Commissioner's consent to effect the change and to prevent amounts from being duplicated or omitted.

(b) Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2021-34, 2021-35 I.R.B. 337, Rev. Proc. 2021-26, 2021-22 I.R.B. 1163, Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and section 17.02(b) and (c) of Rev. Proc. 2016-1, 2016-1 I.R.B. 1, sets forth the general administrative procedures by which a taxpayer may obtain the automatic consent of the Commissioner to change a method of accounting described in the *List of Automatic Changes*. Rev. Proc. 2025-23 contains the current *List of Automatic Changes*.

(c) A change in a taxpayer's treatment of expenditures to comply with § 174 or § 174A, or to make certain elections provided in OBBBA § 70302(f), is a change in method of accounting to which §§ 446(e) and 481, and the corresponding regulations, apply. A taxpayer that changes its method of accounting to comply with § 174 or § 174A or to make such elections under OBBBA § 70302(f) must use the accounting method change procedures in Rev. Proc. 2015-13 or its successor. Section 7.01 of Rev. Proc. 2025-23, as modified by this revenue procedure, allows taxpayers to obtain automatic consent to change their method of accounting for domestic research or experimental expenditures under TCJA § 174. Section 7.02 of Rev. Proc. 2025-23, as modified by

this revenue procedure, allows taxpayers to obtain automatic consent to (1) change their method of accounting for domestic research or experimental expenditures to a method of accounting under § 174A for amounts paid or incurred in taxable years beginning after December 31, 2024, (2) in the case of eligible taxpayers, change their method of accounting for domestic research or experimental expenditures under OBBBA § 70302(f)(1)(C) (small business retroactive method) for amounts paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025, and (3) change their method of accounting for domestic research or experimental expenditures under OBBBA § 70302(f)(2)(B) (recovery of unamortized amount method) for amounts paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025. Section 7.03 of Rev. Proc. 2025-23, as modified by this revenue procedure, allows taxpayers to obtain automatic consent to change their method of accounting for foreign research or experimental expenditures under either TCJA § 174 or § 174.

.08 Rules and extensions for certain tax returns.

(1) In general. Section 6081(a) permits the Secretary to grant a reasonable extension of time, generally no more than six months, for filing any return, declaration, statement, or other required document.

(2) Partnership tax returns.

(a) Section 6031(a) requires every partnership to file a return for each taxable year stating specifically the items of its gross income and the deductions allowable by subtitle A of the Code and such other information as required by forms and regulations, including information about the partners in the partnership. For a partnership, the return

required by § 6031 is the Form 1065, which includes Schedule K-1. Schedule K-1 provides the name of the partner and the partner's distributive share of taxable income and other information related to the partner regarding the partnership. Section 6031(b) requires that a partnership required to file a return under § 6031(a) furnish a copy of the Schedule K-1 to each partner that includes such information as may be required to be shown by regulations. In general, § 6031(b) also prohibits partnerships subject to the centralized partnership audit procedures of the Bipartisan Budget Act of 2015 (BBA), Public Law 114-74, 129 Stat. 584 (November 2, 2015), from amending the information required to be furnished to their partners after the due date of the return. Rather, under § 6227, such partnerships may file an administrative adjustment request (AAR) in the amount of one or more partnership-related items for any partnership taxable year.

(b) Section 6072(b) provides that the due date for filing Form 1065 and furnishing Schedules K-1 to partners is the fifteenth day of the third month following the close of the partnership's taxable year. For example, the due date for a calendar-year partnership is March 15. For calendar-year partnerships that timely request a six-month extension, the extended due date is September 15. A partnership that files its Form 1065 and furnishes Schedules K-1 to its partners prior to the due date for filing the Form 1065 (including extensions) may file a superseding Form 1065 and furnish corresponding Schedules K-1 to its partners prior to the extended due date. *See generally* Rev. Proc. 2019-32, 2019-33 I.R.B. 659.

(3) S corporation tax returns.

(a) Sections 6012(a)(2) and 6037(a) require every S corporation to file a return for each taxable year stating specifically the items of its gross income and the

deductions allowable by subtitle A of the Code and such other information as required by forms and regulations, including information about each shareholder in the S corporation. For an S corporation, the return required by § 6037(a) is the Form 1120-S, which includes Schedules K-1. Schedule K-1 provides the name of each shareholder and the shareholder's share of the corporation's income, deductions, credits, and other information related to the shareholder regarding the S corporation. Section 6037(b) requires that an S corporation required to file a return under section 6037(a) furnish a copy of the Schedule K-1 to each shareholder that includes such information as may be required to be shown by regulations.

(b) Section 6072(b) provides that the due date for filing Form 1120-S and furnishing Schedules K-1 to its shareholders is the fifteenth day of the third month following the close of the S corporation's taxable year. For example, the due date for a calendar-year S corporation is March 15. For calendar-year S corporations that timely request a six-month extension, the extended due date is September 15. An S corporation that files its Form 1120-S and furnishes Schedules K-1 to its shareholders prior to the due date for filing the Form 1120-S (including extensions) may file a superseding Form 1120-S and furnish corresponding Schedules K-1 to its shareholders prior to the extended due date.

(4) C corporation tax returns.

(a) Section 6012(a)(2) requires every C corporation to file a return for each taxable year stating specifically the income, gains, losses, deductions, credits, and other information needed to figure the income tax liability of the C corporation. For a C corporation, the return required by § 6012(a)(2) is a Form 1120 or another form in the

Form 1120 series.

(b) Section 6072(a) generally provides that the due date for filing Form 1120 is the fifteenth day of the fourth month following the close of the C corporation's taxable year. For example, the due date for a calendar-year C corporation is April 15. For calendar-year C corporations that timely request a six-month extension, the extended due date is October 15. A C corporation that files its Form 1120 prior to the due date for filing the Form 1120 (including extensions) may file a superseding Form 1120 prior to extended due date.[2]

(5) Individual tax returns.

(a) Section 6012(a)(1) requires every individual having taxable year gross income at or above certain thresholds to file a return for each taxable year stating specifically the individual's annual taxable income, including income or loss from a business the individual operated or a profession the individual practiced as a sole proprietor. For an individual reporting income or loss from a business, the return required by § 6012(a)(1) is the Form 1040 and a corresponding Schedule C. Schedule C provides the income or loss from a business the individual operated or a profession the individual practiced as a sole proprietor.

(b) Section 6072(a) provides that the due date for filing Form 1040 and a corresponding Schedule C is the fifteenth day of the fourth month following the close of the individual's taxable year. This due date is April 15. For individuals who timely request a six-month extension, the extended due date is October 15. An individual who

[2] A foreign corporation that does not have an office or place of business in the United States must file its income tax return on or before the fifteenth day of the sixth month following the close of the foreign corporation's taxable year. For example, the due date for a calendar-year foreign corporation is June 15.

files Form 1040 and a corresponding Schedule C prior to the due date for filing the Form 1040 (including extensions) may file a superseding Form 1040 prior to the extended due date.

(6) Trust and estate tax returns.

(a) Section 6012(a)(4) requires every trust to file a return for each taxable year stating specifically the trust's income, deductions, gains, losses, and other information needed to figure the income tax liability. Section 6012(a)(3) requires every estate with gross income of $600 or more in a taxable year to file a return for that year. For trusts and estates, the return required by § 6012(a)(4) is the Form 1041, which includes Schedule K-1. Schedule K-1 provides the name of each beneficiary and the beneficiary's share of the trust or estate's income, deductions, credits, and other information of the trust that is related to the beneficiary regarding the trust or estate. Section 6034A(a) requires that the fiduciary of any trust or estate required to file a return under section 6012(a) furnish a copy of the Schedule K-1 to each beneficiary that includes such information as may be required to be shown by regulations.

(b) Section 6072(a) provides that the due date for filing Form 1041 and furnishing Schedules K-1 to its beneficiaries by either a trust or an estate is the fifteenth day of the fourth month following the close of the trust or estate's taxable year. For example, the due date for calendar-year trusts and estates is April 15. For calendar-year trusts and estates that timely request a six-month extension, the extended due date is October 15. A trust or an estate that files Form 1041 and furnishes Schedules K-1 to its beneficiaries prior to the due date for filing the Form 1041 (including extensions) may file a superseding Form 1041 and furnish corresponding Schedules K-1 to its beneficiaries

prior to the extended due date.

(7) Exempt organization business income tax returns.

(a) Sections 6012 and 1.6012-2(e) require an exempt organization that is subject to the tax imposed by § 511(a)(1) on its unrelated business taxable income to make a return for each taxable year if it has gross income of $1,000 or more. For these exempt organizations, the required return is Form 990-T.

(b) Section 6072(e) provides that the due date for filing Form 990-T by an organization exempt from taxation under § 501(a) is the fifteenth day of the fifth month from the close of the exempt organization's taxable year. For example, the due date for a calendar-year exempt organization is May 15. For calendar-year exempt organizations that timely request a six-month extension, the extended due date is November 15. An exempt organization that files Form 990-T prior to the due date for filing the Form 990-T (including extensions) may file a superseding Form 990-T prior to the extended due date.

(8) Section 8 of this revenue procedure. The Treasury Department and the IRS are aware that certain partnerships, S corporations, C corporations, individuals, trusts, estates, and exempt organizations that are eligible taxpayers under OBBBA § 70302(f)(1)(B) that already filed a tax return for the 2024 taxable year did not have the opportunity to make the election contained in OBBBA § 70302(f)(1)(A), or the method change provided in OBBBA § 70302(f)(1)(C), for such return for the 2024 taxable year. These taxpayers may not have filed an extension and, for those subject to the BBA, may be restricted from amending Form 1065 or Schedules K-1 under §§ 6031(b) and 6227. In order to provide an opportunity for such taxpayers to make the election

contained in OBBBA § 70302(f)(1)(A) or the accounting method change provided in OBBBA § 70302(f)(1)(C), section 8 of this revenue procedure grants an automatic six-month extension of time under § 6081 for eligible taxpayers to file a superseding tax return and to furnish any corresponding Schedules K-1, as applicable, for a 2024 taxable year on or before the extended due date.

SECTION 3. SMALL BUSINESS ELECTION TO RETROACTIVELY APPLY § 174A

.01 In general.

(1) Under OBBBA § 70302(f)(1)(A), a small business taxpayer may elect to treat OBBBA § 70302(e)(1) as providing that the amendments made by OBBBA § 70302 apply to amounts paid or incurred in taxable years beginning after December 31, 2021, rather than December 31, 2024. For example, a small business taxpayer may elect to apply § 174A(a) to deduct domestic research or experimental expenditures that were (1) previously taken into account under TCJA § 174 and (2) paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025, in the taxable year in which the expenditures were originally paid or incurred. Alternatively, for example, a small business taxpayer may elect to apply § 174A(c) and charge such expenditures to capital account in the year paid or incurred and amortize the expenditures ratably over a period of not less than 60 months, beginning with the month in which the taxpayer first realizes benefits from such expenditures.

(2) Under OBBBA § 70302(f)(1)(C), in lieu of using the procedure in this section 3, a small business taxpayer may instead make a change in method of accounting under section 7.02(3)(c) of Rev. Proc. 2025-23, as modified by this revenue procedure, to treat the effective date of OBBBA § 70302 contained in OBBBA § 70302(e)(1) as being

applicable to amounts paid or incurred in taxable years beginning after December 31, 2021. *See* section 7 of this revenue procedure.

.02 Defined terms.

(1) Small business taxpayer. For purposes of this section 3, a small business taxpayer means any taxpayer, other than a tax shelter under § 448(d)(3) and § 1.448-2(b)(2), that meets the § 448(c) gross receipts test as provided in § 1.448-2(c) for its first taxable year beginning after December 31, 2024. The § 448(c) gross receipts test is met if a taxpayer has average annual gross receipts for the three prior taxable years of $25,000,000 or less (adjusted for inflation), as described in § 1.448-2(c). For a taxable year beginning in 2025, the inflation-adjusted amount is $31,000,000. *See* Rev. Proc. 2024-40, 2024-45 I.R.B. 1100.

(2) Applicable taxable year. For purposes of this section 3, an applicable taxable year is any taxable year beginning after December 31, 2021, and before January 1, 2025.

.03 Small business OBBBA election. An election under OBBBA § 70302(f)(1)(A) may be made on a small business taxpayer's timely filed (including any extension) original Federal income tax return for an applicable taxable year, or on an AAR or amended Federal income tax return, as applicable, for an applicable taxable year, by attaching a statement to such AAR or Federal income tax return, as provided in section 3.03(2) of this revenue procedure (small business OBBBA election). Once an election under this section 3.03 has been made by a small business taxpayer for an applicable taxable year, such taxpayer must carry out the election under this section 3.03 for all applicable taxable years in which the taxpayer paid or incurred domestic research or experimental

expenditures.

(1) Eligibility to make election. A small business taxpayer may make the election provided in this section 3.03 if it has not made a change in method of accounting under section 7.02(3)(c) of Rev. Proc. 2025-23, as modified by this revenue procedure.

(2) Manner of making election. A small business taxpayer makes an election under this section 3.03 by attaching a statement to its AAR or original or amended Federal income tax return, as applicable, for an applicable taxable year. Such a statement must be entitled, "FILED PURSUANT TO SECTION 3.03 OF REV. PROC. 2025-28", and must be attached to the Federal income tax return that is the AAR, or original or amended return, as applicable, filed for each applicable taxable year, and must include:

(a) the name and taxpayer identification number of the small business taxpayer that paid or incurred domestic research or experimental expenditures in taxable years beginning after December 31, 2021, and before January 1, 2025;

(b) a declaration that the taxpayer is not a tax shelter for its first taxable year beginning after December 31, 2024 (taking into account the election provided in § 1.448-2(b)(2)(iii)(B) if the declaration in section 3.03(2)(c) of this revenue procedure is made);

(c) if the taxpayer has not previously made the election provided in § 1.448-2(b)(2)(iii)(B) and the taxpayer intends to make such election for its first taxable year beginning after December 31, 2024, a declaration that the taxpayer will make the election provided in § 1.448-2(b)(2)(iii)(B) for purposes of determining whether it is a tax shelter for its first taxable year beginning after December 31, 2024, on the original Federal income tax return (including extensions) filed for such taxable year;

(d) a declaration that the taxpayer meets the § 448(c) gross receipts test, as provided in § 448(c) and § 1.448-2(c), for its first taxable year beginning after December 31, 2024;

(e) a statement indicating whether the taxpayer is making the small business OBBBA election to (i) deduct domestic research or experimental expenditures in the applicable taxable year in which they are paid or incurred or (ii) charge such expenditures to capital account and amortize such expenditures under § 174A(c);

(f) if the taxpayer is making the small business OBBBA election to charge domestic research or experimental expenditures to capital account under § 174A(c), a declaration that:

(i) the taxpayer is charging such expenditures to a domestic research or experimental expenditures capital account in the applicable taxable year in which such expenditures are paid or incurred, and amortizing such amount over a period of not less than 60 months beginning with the month in which the taxpayer first realizes benefits from such expenditures; and

(ii) the number of months (not less than 60) selected for the amortization period; and

(g) a declaration that the taxpayer will file an AAR or amended return, as applicable, to reflect the election provided in this section 3.03 for any applicable taxable year(s) for which the taxpayer previously filed a Federal income tax return prior to September 15, 2025, that specifies such applicable taxable years, if the taxpayer paid or incurred domestic research or experimental expenditures in such applicable taxable year(s).

(3) Due date for making election on an AAR or amended return.

(a) In general. For an applicable taxable year, an election under this section 3.03 made on an AAR or amended return for such applicable taxable year, or an AAR or amended return filed to carry out an election made for another applicable taxable year under this section 3.03, must be filed on or before July 6, 2026. As previously discussed in section 2.06(2)(b) of this revenue procedure, small business taxpayers with an applicable taxable year beginning in 2022 should be aware that for purposes of OBBBA § 70302(f), § 6511, which governs the statute of limitations for credit or refund, was not amended. Accordingly, any election under this section 3.03 made on an AAR or amended return for such applicable taxable year, or an AAR or amended return filed to carry out an election made for another applicable taxable year under this section 3.03, will be considered timely only if it is filed on or before the earlier of: (i) July 6, 2026, or (ii) the due date for filing a claim for credit or refund for such applicable taxable year under § 6511 or § 301.6511(a)-1(a)(1) (the date that is three years from the time the return was filed for the applicable taxable year beginning in 2022).

(b) Example 1. Taxpayer, a C corporation, timely filed a Federal income tax return for its applicable taxable year beginning January 1, 2022, and ending December 31, 2022, on March 1, 2023. Under section 3.03(3)(a) of this revenue procedure, and consistent with §§ 6511(a) and 6513(a), the taxpayer's due date for filing an amended return to make an election under this section 3.03, or to carry out an election made for another applicable taxable year under this section 3.03, for the applicable taxable year ending December 31, 2022, is April 15, 2026.

(c) Example 2. Taxpayer, a C corporation, timely filed (including extensions) a

Federal income tax return for its applicable taxable year beginning January 1, 2022, and ending December 31, 2022, on May 15, 2023. Under section 3.03(3)(a) of this revenue procedure, and consistent with § 6511(a), the taxpayer's due date for filing an amended return to make an election under this section 3.03, or to carry out an election made for another applicable taxable year under this section 3.03, for the applicable taxable year ending December 31, 2022, is May 15, 2026.

(d) Example 3. Taxpayer, a C corporation, timely filed (including extensions) a Federal income tax return for its applicable taxable year beginning January 1, 2022, and ending December 31, 2022, on August 25, 2023. Under section 3.03(3)(a) of this revenue procedure, the taxpayer's due date for filing an amended return to make an election under this section 3.03, or to carry out an election made for another applicable taxable year under this section 3.03, for the applicable taxable year ending December 31, 2022, is July 6, 2026.

(4) Deemed election. Solely for purposes of an original Federal income tax return for an applicable taxable year timely filed on or before November 15, 2025, the small business taxpayer will be deemed to have made an election under this section 3.03 for such taxable year if it deducts the domestic research or experimental expenditures paid or incurred during such taxable year on such original return and otherwise complies with the requirements of this section 3.03 for all other applicable taxable years.

.04 Method changes not required.

(1) A small business taxpayer that makes an election under this section 3 to deduct domestic research or experimental expenditures in the applicable taxable year in which such amounts are paid or incurred is not required to make a change in method of

accounting under section 7.02(3)(a) of Rev. Proc. 2025-23, as modified by this revenue procedure, for the first taxable year beginning after December 31, 2024, if its method of accounting for its first taxable year beginning after December 31, 2024, is the § 174A(a) deduction method (as defined in section 7.02(2)(b) of Rev. Proc. 2025-23, as modified by this revenue procedure). A small business taxpayer that makes an election under this section 3 to charge domestic research or experimental expenditures to capital account in the applicable taxable year in which such amounts are paid or incurred and amortize such expenditures under § 174A(c) is not required to make a change in method of accounting under section 7.02(3)(b) of Rev. Proc. 2025-23, as modified by this revenue procedure, for the first taxable year beginning after December 31, 2024, if its method of accounting for its first taxable year beginning after December 31, 2024, is the § 174A(c) amortization method (as defined in section 7.02(2)(c) of Rev. Proc. 2025-23, as modified by this revenue procedure).

(2) A small business taxpayer that makes an election under section 3.03 of this revenue procedure is not required or permitted to make a change in method of accounting under section 7.02(3)(c) of Rev. Proc. 2025-23, as modified by this revenue procedure.

.05 Tax shelter determinations for prior applicable taxable years. For purposes of determining whether a taxpayer is a tax shelter under § 448(d)(3) and § 1.448-2(b)(2) for an applicable taxable year for which the original Federal income tax return was filed on or before September 15, 2025, the taxpayer may disregard the election made under section 3.03 of this revenue procedure on an AAR or amended return for such applicable taxable year. Accordingly, whether the taxpayer is a tax shelter for such

applicable taxable year, and whether the taxpayer is eligible for the small business taxpayer rules contained in §§ 163(j)(3), 263A(i), 448(b)(3), 460(e)(1)(B), and 471(c) for such applicable taxable year, is unaffected by the election provided in this section 3.

SECTION 4. SMALL BUSINESS TAXPAYER ELECTION UNDER § 280C(c)(2)

.01 In general. Under OBBBA § 70302(f)(1)(D), an eligible small business taxpayer may make a late election under § 280C(c)(2) for any prior applicable taxable year to have the provisions of section § 280C(c)(1) not apply and instead elect to adjust the amount of the research credit under § 41 as required under § 280C(c)(2)(B) for such applicable taxable year (late § 280C(c)(2) election).

.02 Defined terms.

(1) For purposes of this section 4, the terms “small business taxpayer” and “applicable taxable year” have the same meaning as provided in section 3.02 of this revenue procedure.

(2) Eligible small business taxpayer. For purposes of this section 4, an “eligible small business taxpayer” means a small business taxpayer that made an election under section 3 of this revenue procedure for an applicable taxable year or made a change in method of accounting under section 7.02(3)(c) of Rev. Proc. 2025-23, as modified by this revenue procedure.

.03 Eligible small business taxpayer § 280C(c)(2) election.

(1) Eligibility to make election. An eligible small business taxpayer may make a late § 280C(c)(2) election under this section 4.03 for any applicable taxable year for which the taxpayer filed an original Federal income tax return for such applicable taxable year on or before September 15, 2025 (eligible prior year). An eligible small

business taxpayer may make a late § 280C(c)(2) election for an eligible prior year, regardless of whether it makes a late § 280C(c)(2) election for any other eligible prior year. However, an eligible small business taxpayer may not make a late § 280C(c)(2) election for an eligible prior year for which it previously revoked a § 280C(c)(2) election under section 5 of this revenue procedure.

(2) Manner of making election. An eligible small business taxpayer makes a late § 280C(c)(2) election for an eligible prior year under the procedures provided in this section 4.03. An election under this section 4.03 is made by following rules similar to those contained in § 1.280C-4(a). Accordingly, a late § 280C(c)(2) election is made by:

(a) adjusting the taxpayer's research credit amount under § 41(a) or alternative simplified credit amount under § 41(c)(4), for the eligible prior year as required under § 280C(c)(2)(B) on the AAR or amended Federal income tax return, as applicable, filed for such eligible prior year, and including any and all applicable forms (including the Form 3800, *General Business Credit*);

(b) adjusting the taxpayer's domestic research or experimental expenditures otherwise taken into account as a deduction or charged to capital account under chapter 1 of the Code to no longer reflect § 280C(c)(1), as modified by the OBBBA;

(c) attaching an amended Form 6765, *Credit for Increasing Research Activities*, marked at the top "FILED PURSUANT TO SECTION 4.03 OF REV. PROC. 2025-28" to the AAR or amended Federal income tax return, as applicable, filed for such eligible prior year, clearly indicating on such Form 6765 the taxpayer's intent to make the § 280C(c)(2) election by checking the appropriate response to question A on page 1 of such form, and/or otherwise completing the appropriate sections of the form; and

(d) to the extent not already provided elsewhere on the AAR or amended return, as applicable, attaching a statement indicating that the taxpayer is making a late § 280C(c)(2) election under section 4 of Rev. Proc. 2025-28 that includes:

(i) a declaration that the taxpayer is not a tax shelter for its first taxable year beginning after December 31, 2024 (taking into account the election provided in § 1.448-2(b)(2)(iii)(B) if the declaration in section 4.03(2)(c)(ii) of this revenue procedure is made);

(ii) if the taxpayer has not previously made the election provided in § 1.448-2(b)(2)(iii)(B) and the taxpayer intends to make such election for its first taxable year beginning after December 31, 2024, a declaration that the taxpayer will make the election provided in § 1.448-2(b)(2)(iii)(B) for purposes of determining whether it is a tax shelter for its first taxable year beginning after December 31, 2024, on the original Federal income tax return (including extensions) filed for such taxable year; and

(iii) a declaration that the taxpayer meets the § 448(c) gross receipts test, as provided in § 448(c) and § 1.448-2(c), for its first taxable year beginning after December 31, 2024.

(3) Due date for making election on an AAR or amended return. For an eligible prior year, a late § 280C(c)(2) election under this section 4.03 made on an AAR or amended return for such eligible prior year must be filed on or before July 6, 2026. As previously discussed in section 2.06(2)(b) of this revenue procedure, small business taxpayers with an eligible prior year beginning in 2022 should be aware that, for purposes of OBBBA § 70302(f), § 6511 was not amended. Accordingly, to be considered timely, any election under this section 4.03 made on an AAR or amended

return for such eligible prior year should be filed on or before the earlier of: (i) July 6, 2026, or (ii) the due date for filing a claim for credit or refund for such eligible prior year under § 6511 or § 301.6511(a)-1(a)(1) (the date that is three years from the time the return was filed for the eligible prior year beginning in 2022). See also the examples provided in section 3.03(3)(b)-(d) of this revenue procedure.

(4) Duration of election. A late § 280C(c)(2) election, once made for any eligible prior year, is irrevocable for that taxable year.

SECTION 5. SMALL BUSINESS TAXPAYER REVOCATION OF § 280C(c)(2) ELECTION

.01 In general. Under OBBBA § 70302(f)(1)(D), an eligible small business taxpayer may revoke a prior election made under § 280C(c)(2) for any applicable taxable year.

.02 Defined terms. For purposes of this section 5, the terms “small business taxpayer,” “applicable taxable year,” and “eligible small business taxpayer” have the same meaning as provided in section 4.02 of this revenue procedure. For purposes of this section 5, the term “eligible prior year” has the same meaning as provided in section 4.03(1) of this revenue procedure.

.03 Small business taxpayer revocation of a § 280C(c)(2) election.

(1) Eligibility to revoke a § 280C(c)(2) election. An eligible small business taxpayer may revoke a § 280C(c)(2) election under this section 5.03 for any eligible prior year, regardless of whether it revokes a § 280C(c)(2) election for any other eligible prior year. However, an eligible small business taxpayer may not revoke a late § 280C(c)(2) election made under section 4 of this revenue procedure for such eligible prior year.

(2) Manner of revoking the election. An eligible small business taxpayer revokes a

§ 280C(c)(2) election for an eligible prior year under the procedures provided in this section 5.03. An eligible small business taxpayer revokes a § 280C(c)(2) election for an eligible prior year by:

(a) adjusting the taxpayer's research credit amount under § 41(a) or alternative simplified credit amount under § 41(c)(4) to no longer reflect the application of § 280C(c)(2)(B) on the AAR or amended Federal income tax return filed for such eligible prior year, and including any and all applicable forms (including the Form 3800, *General Business Credit*);

(b) adjusting the taxpayer's domestic research or experimental expenditures otherwise taken into account as a deduction or charged to capital account under chapter 1 of the Code as required under § 280C(c)(1), as modified by the OBBBA;

(c) attaching an amended Form 6765, *Credit for Increasing Research Activities* marked at the top "FILED PURSUANT TO SECTION 5.03 OF REV. PROC. 2025-28" to the AAR or amended Federal income tax return filed for such eligible prior year, clearly indicating on such Form 6765 the taxpayer's intent to revoke the § 280C(c)(2) election by checking the appropriate response to question A on page 1 of such form, and/or otherwise completing the appropriate sections of the form; and

(d) to the extent not already provided elsewhere on the AAR or amended return, attaching a statement indicating that the taxpayer is revoking a prior § 280C(c)(2) election under section 5 of Rev. Proc. 2025-28 and that includes:

(i) a declaration that the taxpayer is not a tax shelter for its first taxable year beginning after December 31, 2024 (taking into account the election provided in § 1.448-2(b)(2)(iii)(B) if the declaration in section 5.03(2)(d)(ii) of this revenue procedure

is made);

(ii) if the taxpayer has not previously made the election provided in § 1.448-2(b)(2)(iii)(B) and the taxpayer intends to make such election for its first taxable year beginning after December 31, 2024, a declaration that the taxpayer will make the election provided in § 1.448-2(b)(2)(iii)(B) for purposes of determining whether it is a tax shelter for its first taxable year beginning after December 31, 2024, on the original Federal income tax return (including extensions) filed for such taxable year; and

(iii) a declaration that the taxpayer meets the § 448(c) gross receipts test, as provided in § 448(c) and § 1.448-2(c), for its first taxable year beginning after December 31, 2024.

(3) Due date for revoking election on an AAR or amended return. For an eligible prior year, a revocation of a § 280C(c)(2) election under this section 5.03 made on an AAR or amended return for such eligible prior year must be filed on or before July 6, 2026. As previously discussed in section 2.06(2)(b) of this revenue procedure, small business taxpayers with an eligible prior year beginning in 2022 should be aware that for purposes of OBBBA § 70302(f), § 6511 was not amended. Accordingly, to be considered timely, a revocation of an election under this section 5.03 made on an amended return for such eligible prior year should be filed on or before the earlier of: (i) July 6, 2026, or (ii) the due date for filing a claim for credit or refund for such eligible prior year under § 6511 or § 301.6511(a)-1(a)(1) (the date that is three years from the time the return was filed for the eligible prior year beginning in 2022). See also the examples provided in section 3.03(3)(b)-(d) of this revenue procedure.

(4) Duration of election. Once the § 280C(c)(2) election is revoked for an eligible

prior year, an electing small business taxpayer may not make a late § 280C(c)(2) election under section 4 of this revenue procedure for such eligible prior year.

SECTION 6. ELECTION TO CAPITALIZE AND AMORTIZE DOMESTIC RESEARCH OR EXPERIMENTAL EXPENDITURES UNDER § 174A(c)

.01 In general. For domestic research or experimental expenditures paid or incurred in a taxable year beginning after December 31, 2024, a trade or business of a taxpayer (applicant) may elect to capitalize and amortize all such expenditures paid or incurred in the taxable year under § 174A(c), provided the applicant did not change its method of accounting with respect to domestic research or experimental expenditures under section 7.02(3) of Rev. Proc. 2025-23, as modified by this revenue procedure, for such taxable year.

.02 Manner of making election. The election of the method under § 174A(c) must be made by the due date (including extensions) of the Federal income tax return for the taxable year, by attaching a statement marked at the top "FILED PURSUANT TO SECTION 6.02 OF REV. PROC. 2025-28" to the applicant's original Federal income tax return for the first taxable year to which the election applies. The § 174A(c) method so elected, and the amortization period selected by the applicant under § 174A(c)(1)(B), must be adhered to in computing taxable income for the taxable year in which the election is made and for all subsequent taxable years unless the applicant obtains the consent of the Commissioner to change to a different method of accounting, or to a different amortization period. The election does not apply to any domestic research or experimental expenditures paid or incurred during any taxable year before the taxable year for which the election in this section 6.02 is made. The election statement must

include the following information for each applicant:

(1) the name and taxpayer identification number of the applicant;

(2) the taxable year in which the election is being made;

(3) a declaration that the applicant is charging such expenditures to a research or experimental capital account, and amortizing such amount over a period of not less than 60 months, beginning with the month in which the applicant first realizes benefits from such expenditures, in accordance with § 174A(c); and

(4) the number of months (not less than 60) selected for the amortization period.

.03 Exception for 2025 taxable years. For a taxable year beginning after December 31, 2024, and before January 1, 2026, an applicant that makes a change in method of accounting to the § 174A(c) amortization method under section 7.02(3)(b) of Rev. Proc. 2025-23, as modified by this revenue procedure, for such taxable year will be deemed to have properly made the election provided in this section 6.

SECTION 7. MODIFICATION OF SECTION 7 OF REV. PROC. 2025-23

Section 7 of Rev. Proc. 2025-23 is modified to read as follows:

.01 Change for Domestic Research or Experimental Expenditures under TCJA § 174.

(1) Description of change.

(a) In general. This change applies to a taxpayer that wants to change its method of accounting for domestic research or experimental expenditures paid or incurred in taxable years beginning before January 1, 2025, to:

(i) comply with TCJA § 174; or

(ii) rely on interim guidance provided in sections 3, 4, 5, 6, or 7 of Notice 2023-

63, 2023-39 I.R.B. 919, as modified by Notice 2024-12, 2024-5 I.R.B. 616.

(b) References. Section 13206(e) of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), commonly known as the Tax Cuts and Jobs Act (TCJA) provides that the amendments made by § 13206 of the TCJA apply to amounts paid or incurred in taxable years beginning after December 31, 2021. Unless otherwise stated, references to "TCJA § 174" in this section 7 refer to § 174 as amended by § 13206(a) of TCJA, but prior to amendment by § 70302 of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), for amounts paid or incurred in taxable years beginning after December 31, 2024. All references in this section 7 to "OBBBA § 70302" refer to provisions of § 70302 of the OBBBA.

(c) Changes included in section 7.01(1)(a) of this revenue procedure. The changes described in section 7.01(1)(a) of this revenue procedure include, among other changes, a change:

(i) from capitalizing domestic research or experimental expenditures that constitute specified research or experimental (SRE) expenditures, as defined in TCJA § 174(b) and section 4.02(2) of Notice 2023-63, as applicable, to inventoriable property or depreciable property and recovering such expenditures through cost of goods sold or depreciation, respectively, to capitalizing and amortizing such expenditures under TCJA § 174(a) or section 3.02 of Notice 2023-63, as applicable; and

(ii) from treating a domestic research or experimental expenditure that does not meet the definition of an SRE expenditure as an SRE expenditure subject to capitalization and amortization under TCJA § 174(a) or section 3.02 of Notice 2023-63, as applicable, to treating that expenditure under the appropriate provision of the Code.

(2) Inapplicability. This change described in section 7.01(1)(a) of this revenue procedure does not apply to:

(a) a change in the treatment of acquired, leased, or licensed computer software under Rev. Proc. 2000-50, 2000-2 C.B. 601, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358 (*see* section 9.01 of this revenue procedure);

(b) a change in the treatment of research or experimental expenditures under § 174 as in effect prior to the amendments made by § 13206(a) of the TCJA, or software development expenditures, paid or incurred in taxable years beginning before January 1, 2022 (*see* section 9.01 of this revenue procedure);

(c) a change to rely on interim guidance provided in sections 8 and 9 of Notice 2023-63, as modified by Notice 2024-12, 2024-5 I.R.B. 616;

(d) a change from treating SRE expenditures paid or incurred by a taxpayer that transfers related property (that is, property with respect to which such SRE expenditures were paid or incurred) in a § 351 exchange as amortizable by the transferee corporation following such exchange to treating such SRE expenditures as amortizable by the transferor following such exchange (as such a change is not a change in method of accounting);

(e) a change in the treatment of domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024 (*see* section 7.02 of this revenue procedure); or

(f) a change in the treatment of foreign research or experimental expenditures (*see* section 7.03 of this revenue procedure).

(3) Manner of making change.

(a) Modified § 481(a) adjustment and cut-off.

(i) In general. Except as provided in section 7.01(3)(a)(ii) of this revenue procedure, the change under section 7.01(1)(a) of this revenue procedure is made with a modified § 481(a) adjustment that takes into account only expenditures paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025.

(ii) Exception for negative modified § 481(a) adjustment. If a change described in section 7.01(3)(a)(i) of this revenue procedure results in a modified § 481(a) adjustment that is negative, the taxpayer may instead choose to implement the change on a cut-off basis.

(b) Form 3115 and required statement. In completing a Form 3115, *Application for Change in Accounting Method*, to make the change in method of accounting under section 7.01(1)(a) of this revenue procedure, a taxpayer must include on an attachment to Form 3115:

(i) a general description of the type of domestic research or experimental expenditures included as SRE expenditures;

(ii) the taxable year(s) in which the expenditures subject to the change were paid or incurred by the applicant; and

(iii) a declaration that provides the reason for which the applicant is changing its method of accounting under section 7.01(1)(a) of this revenue procedure. The declaration must also state whether the applicant is making the change on a cut-off basis under section 7.01(3)(a)(ii) of this revenue procedure or with a modified § 481(a) adjustment that takes into account only expenditures paid or incurred in taxable years

beginning after December 31, 2021, under section 7.01(3)(a)(i) of this revenue procedure.

(4) Transition rule. A taxpayer that filed a Federal income tax return on or before January 17, 2023, for a taxable year beginning after December 31, 2021, is deemed to have complied with the § 446 method change procedures and section 7.01 of this revenue procedure to change its method of accounting for domestic research or experimental expenditures paid or incurred in the first taxable year beginning after December 31, 2021, to comply with TCJA § 174 if the taxpayer:

(a) reported the amount of research or experimental expenditures that constitute SRE expenditures paid or incurred for such taxable year on Part VI of Form 4562, *Depreciation and Amortization*, filed with the Federal income tax return; and

(b) properly capitalized and amortized such SRE expenditures in accordance with TCJA § 174 for such taxable year.

(5) Certain eligibility rules inapplicable.

(a) In general. The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to a change described in section 7.01(1)(a) of this revenue procedure made by a taxpayer for any taxable year beginning in 2023 or 2024.

(b) Changes made in successive taxable years. A taxpayer may make a change described in section 7.01(1)(a) of this revenue procedure for a taxable year beginning in 2023 or 2024, regardless of whether the taxpayer made a change for the same item for any previous taxable year beginning in 2022, 2023, or 2024.

(6) Limited audit protection. A taxpayer does not receive audit protection under

section 8.01 of Rev. Proc. 2015-13 for the change under section 7.01(1)(a) of this revenue procedure with respect to expenditures paid or incurred in taxable years beginning on or before December 31, 2021. Additionally, a taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for a change under section 7.01(1)(a) of this revenue procedure made for any taxable year beginning in 2023, with respect to expenditures paid or incurred in the first taxable year beginning after December 31, 2021, if the taxpayer did not change its method of accounting under section 7.01(1)(a) in an effort to comply with TCJA § 174 for the first taxable year beginning after December 31, 2021. *See* section 8.02(2) of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 7.01 is "265."

(8) No inference relating to expenditures paid or incurred in taxable years prior to the first taxable year in which TCJA § 174 became effective. No inference may be drawn from section 7.01 of this revenue procedure regarding the treatment of expenditures paid or incurred in, and changes in methods of accounting for, taxable years prior to when TCJA § 174 was in effect, including issues relating to the application of §§ 1.174-1, 1.174-2, 1.174-3, and 1.174-4 for taxable years prior to when TCJA § 174 was in effect.

(9) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 7.01(1)(a) of this revenue procedure is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting, nor does it create any presumption that the new method of

accounting is a permissible method of accounting. The director will ascertain whether the new method of accounting is a permissible method of accounting.

(10) Contact information. For further information regarding a change under this section, contact the Office of the Associate Chief Counsel (Income Tax and Accounting), Branch 7, at (202) 317-7005 (not a toll-free number).

.02 Change to a § 174A Method for Domestic Research or Experimental Expenditures under the OBBBA, Including Certain Transition Options.

(1) Description of change. This change applies to a taxpayer that wants to make a change in method of accounting to which this section applies for domestic research or experimental expenditures to comply with § 174A, as added to the Code by OBBBA § 70302(a), and to make certain transition method changes under the OBBBA.

(2) Definitions. For purposes of this section 7.02, the following definitions apply:

(a) Domestic research or experimental expenditures. "Domestic research or experimental expenditures" means research or experimental expenditures paid or incurred by the taxpayer in connection with the taxpayer's trade or business other than such expenditures which are attributable to foreign research (within the meaning of § 41(d)(4)(F)).

(b) Section 174A(a) deduction method. The "§ 174A(a) deduction method" means the method of accounting described in § 174A(a) that allows a deduction for any domestic research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year. This method of accounting is only applicable to amounts paid or incurred in taxable years beginning after December 31, 2024.

(c) Section 174A(c) amortization method. The "§ 174A(c) amortization method"

means the method of accounting described in § 174A(c)(1) that allows a taxpayer to elect to charge all domestic research or experimental expenditures paid or incurred during the taxable year to capital account and to be allowed an amortization deduction for such expenditures ratably over a period of not less than 60 months, beginning with the month in which the taxpayer first realizes benefits from such expenditures. This method of accounting is only applicable to amounts paid or incurred in taxable years beginning after December 31, 2024.

(d) Small business retroactive method. The "small business retroactive method" means the election provided in OBBBA § 70302(f)(1)(A) that a small business taxpayer implements by using the change in method of accounting provided under OBBBA § 70302(f)(1)(C) and, thus, treats OBBBA § 70302(e)(1) as providing that the amendments made by OBBBA § 70302 apply to domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2021, rather than December 31, 2024. Accordingly, this method of accounting is applicable only to amounts paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025. The small business retroactive method means either: (i) deducting domestic research or experimental expenditures in the taxable year paid or incurred under § 174A(a) or (ii) charging such amounts to capital account and amortizing such amounts under § 174A(c).

(e) Small business taxpayer. A "small business taxpayer" means a taxpayer, other than a tax shelter under § 448(d)(3) and § 1.448-2(b)(2), that meets the § 448(c) and § 1.448-2(c) gross receipts test for its first taxable year beginning after December 31, 2024. The § 448(c) gross receipts test is met if a taxpayer has average annual

gross receipts for the three prior taxable years of $25,000,000 or less (adjusted for inflation), as described in § 1.448-2(c). For a taxable year beginning in 2025, the inflation-adjusted amount is $31,000,000. *See* Rev. Proc. 2024-40, 2024-45 I.R.B. 1100.

(f) Recovery of unamortized amount method. The "recovery of unamortized amount method" means either method of accounting described in OBBBA § 70302(f)(2)(A) that allows a taxpayer to elect to recover the remaining unamortized amount by either: (i) amortizing the remaining unamortized amount in full in the first taxable year beginning after December 31, 2024, under OBBBA § 70302(f)(2)(A)(i), or (ii) amortizing the remaining unamortized amount ratably over the 2-taxable year period beginning with the first taxable year beginning after December 31, 2024, under OBBBA § 70302(f)(2)(A)(ii).

(g) Remaining unamortized amount. The "remaining unamortized amount" means, as of the first day of the taxpayer's first taxable year beginning after December 31, 2024, the remaining unamortized amount of domestic research or experimental expenditures which were (i) paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025, and (ii) charged to capital account by the taxpayer under TCJA § 174 for such taxable years.

(3) Applicability. This change applies to a taxpayer that wants to:

(a) for a taxable year beginning after December 31, 2024, and before January 1, 2026, change to the § 174A(a) deduction method for domestic research or experimental expenditures that are paid or incurred in taxable years beginning after December 31, 2024;

(b) for a taxable year beginning after December 31, 2024, and before January 1, 2026, change to the § 174A(c) amortization method, for domestic research or experimental expenditures that are paid or incurred in taxable years beginning after December 31, 2024;

(c) in the case of a small business taxpayer, change to the small business retroactive method for a taxable year beginning before January 1, 2025, for which an original Federal income tax return is filed after August 28, 2025, for domestic research or experimental expenditures that were paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025; or

(d) for the first taxable year beginning after December 31, 2024 (or, in the case of a taxpayer described in section 7.02(6)(b) of this revenue procedure, for a taxable year beginning after December 31, 2024, and before January 1, 2026), change to use the recovery of unamortized amount method for the remaining unamortized amount.

(4) Inapplicability. This change does not apply to:

(a) a change in method of accounting for research or experimental expenditures which are attributable to foreign research (within the meaning of § 41(d)(4)(F)) (*see* section 7.03 of this revenue procedure);

(b) except as provided in section 7.02(3)(c) and (d) of this revenue procedure, a change in method of accounting for domestic research or experimental expenditures taken into account under TCJA § 174 and paid or incurred in a taxable year beginning before January 1, 2025 (*see* section 7.01 of this revenue procedure);

(c) a late election under § 280C(c)(2), or revocation of a § 280C(c)(2) election, under OBBBA § 70302(f)(1)(D) and section 4 or 5, as applicable, of Rev. Proc. 2025-28;

(d) a small business OBBBA election under OBBBA § 70302(f)(1)(A) and section 3 of Rev. Proc. 2025-28; or

(e) a change in method of accounting under section 7.02(3)(a) or (b) of this revenue procedure for the first taxable year beginning after December 31, 2024, in the case of a small business taxpayer that either (i) makes a change in method of accounting to the small business retroactive method for a taxable year beginning before January 1, 2025, under this section 7.02, or (ii) that makes a small business OBBBA election under section 3 of Rev. Proc. 2025-28, if its method of accounting for domestic research or experimental expenditures for the first taxable year beginning after December 31, 2024, is consistent with the method of accounting used in the immediately preceding taxable year, after taking into account either (i) the change in method of accounting to the small business retroactive method for the immediately preceding taxable year or (ii) the small business OBBBA election, as applicable.

(5) Manner of making change.

(a) Year of change is the first taxable year beginning after December 31, 2024.

(i) Cut-off basis. Changes under section 7.02(3)(a) and (b) of this revenue procedure are implemented on a cut-off basis. A change under section 7.02(3)(d) of this revenue procedure is also implemented on a cut-off basis, such that the remaining unamortized amount continues to be amortized under the recovery of unamortized amount method selected by the taxpayer under OBBBA § 70302(f)(2)(A).

(ii) Statement in lieu of a Form 3115. The requirement of § 1.446-1(e)(3)(i) to file a Form 3115, *Application for Change in Accounting Method*, is waived and a statement in lieu of a Form 3115 is authorized for a change under this section 7.02. If

the taxpayer is making the change under section 7.02(3)(d) of this revenue procedure for the same year of change as a change under section 7.02(3)(a) or (b) of this revenue procedure, the changes may be made on the same statement or separate statements. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this section 7.02 is considered a Form 3115 for purposes of the automatic change procedures of Rev. Proc. 2015-13. The requirement to file the duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived. The statement must include the following information for each applicant:

(A) the name and taxpayer identification number of the applicant;

(B) the designated automatic accounting method change number for this change (*see* section 7.02(12) of this revenue procedure);

(C) if the applicant is changing its method of accounting to the § 174A(a) deduction method or the § 174A(c) amortization method, a declaration that the applicant is changing the method of accounting for domestic research or experimental expenditures on a cut-off basis;

(D) if the applicant is changing its method of accounting to the § 174A(a) deduction method, a declaration that the applicant is deducting such expenditures under the § 174A(a) deduction method beginning with the year of change;

(E) if the applicant is changing its method of accounting to the § 174A(c) amortization method, a declaration that:

(I) the applicant is charging such expenditures to a domestic research or experimental expenditures capital account beginning with the year of change, and

amortizing such amount over a period of not less than 60 months beginning with the month in which the taxpayer first realizes benefits from such expenditures, in accordance with the § 174A(c) amortization method; and

(II) the number of months (not less than 60) selected for the amortization period;

(F) In the case of a small business taxpayer changing to the small business retroactive method, a declaration that the applicant:

(I) is not a tax shelter for its first taxable year beginning after December 31, 2024 (taking into account the election provided in § 1.448-2(b)(2)(iii)(B) if the declaration in section 7.02(5)(f)(II) of this revenue procedure is made);

(II) if the taxpayer has not previously made the election provided in § 1.448-2(b)(2)(iii)(B) and the taxpayer intends to make such election for its first taxable year beginning after December 31, 2024, a declaration that the taxpayer will make the election provided in § 1.448-2(b)(2)(iii)(B) for purposes of determining whether it is a tax shelter for its first taxable year beginning after December 31, 2024, on the original Federal income tax return (including extensions) filed for such taxable year; and

(III) meets the gross receipts test, as provided in § 448(c) and § 1.448-2(c), for its first taxable year beginning after December 31, 2024; and

(G) if the applicant is changing to a recovery of unamortized amount method:

(I) a declaration regarding whether the applicant is changing to either:

(i) amortize the remaining unamortized amount in full in the first taxable year beginning after December 31, 2024, under OBBBA § 70302(f)(2)(A)(i); or

(ii) amortize the remaining unamortized amount ratably over the 2-taxable

year period beginning with the first taxable year beginning after December 31, 2024, under OBBBA § 70302(f)(2)(A)(ii); and

(II) a declaration that the applicant is changing the method of accounting for the remaining unamortized amount on a cut-off basis.

(b) Year of change is later than the first taxable year beginning after December 31, 2024.

(i) Modified § 481(a) adjustment and cut-off basis. A change under section 7.02(3)(a) of this revenue procedure for a year of change later than the first taxable year beginning after December 31, 2024, is made with a modified § 481(a) adjustment, and must take into account only domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024. A change under section 7.02(3)(b) of this revenue procedure for a year of change later than the first taxable year beginning after December 31, 2024, is implemented on a cut-off basis.

(ii) Special rule for short 2025 taxable years. In the case of a taxpayer described in section 7.02(6)(b) of this revenue procedure, a change under section 7.02(3)(d) is made with a modified § 481(a) adjustment and the remaining unamortized amount is amortized under the recovery of unamortized amount method selected by the taxpayer under OBBBA § 70302(f)(2)(A).

(iii) Statement in lieu of Form 3115. The requirement of § 1.446-1(e)(3)(i) to file a Form 3115, *Application for Change in Accounting Method*, is waived and a statement in lieu of a Form 3115 is authorized for a change under this section 7.02. If the taxpayer is making the change under 7.02(3)(d) of this revenue procedure for the same year of change as a change under section 7.02(3)(a) or (b) of the revenue procedure, the

changes may be made on the same statement or separate statements. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this section 7.02 is considered a Form 3115 for purposes of the automatic change procedures of Rev. Proc. 2015-13. The requirement to file the duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived. The statement must include the information described in section 7.02(5)(a)(ii) of this revenue procedure; however, in lieu of the information described in section 7.02(5)(a)(ii)(C) of this revenue procedure, the applicant should include a declaration that the applicant is changing the method of accounting for domestic research or experimental expenditures with a modified § 481(a) adjustment, and provide such modified § 481(a) adjustment.

(6) Transition rules.

(a) Change to the § 174A(a) deduction method or the § 174A(c) amortization method. A taxpayer that filed a Federal income tax return on or before September 15, 2025, for a taxable year beginning after December 31, 2024, is deemed to have complied with the general procedures under § 446(e), § 1.446-1(e), and this section 7.02 to change its method of accounting for domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024, to the § 174A(a) deduction method or the § 174A(c) amortization method, as applicable, to comply with § 174A if the taxpayer either:

(i) properly deducted such domestic research or experimental expenditures in accordance with the § 174A(a) deduction method for such taxable year; or

(ii) reported the amount of domestic research or experimental expenditures

paid or incurred for such taxable year on Part VI of Form 4562, *Depreciation and Amortization,* filed with the Federal income tax return, and properly capitalized and amortized such domestic research or experimental expenditures in accordance with the § 174A(c) amortization method for such taxable year.

(b) Change to the recovery of unamortized amount method. A taxpayer that filed a Federal income tax return on or before September 15, 2025, for a taxable year beginning after December 31, 2024, is deemed to have complied with the general procedures under § 446(e), § 1.446-1(e), and this section 7.02 to change its method of accounting for the remaining unamortized amount to the recovery of unamortized amount method, if the taxpayer either:

(i) amortized the remaining unamortized amount in full in the first taxable year beginning after December 31, 2024; or

(ii) amortizes the remaining unamortized amount ratably over the 2-taxable year period beginning with the first taxable year beginning after December 31, 2024.

(7) Certain eligibility rules inapplicable.

(a) In general. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a change described in section 7.02(3) or 7.02(6) of this revenue procedure for taxable years beginning before January 1, 2026.

(b) Special rule. For purposes of determining whether the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419 is satisfied for a change described in section 7.02(3) or 7.02(6) of this revenue procedure, the following changes in method of accounting are not taken into account:

(i) any change in method of accounting for domestic research or experimental

expenditures made under § 174, prior to amendment by OBBBA § 70302, for a taxable year beginning before January 1, 2025;

(ii) a change in method of accounting described in section 7.02(6)(a) or (b) of this revenue procedure; or

(iii) a change under section 7.02(3)(a) or (b) of this revenue procedure for the first taxable year beginning after December 31, 2024.

(8) Limited audit protection. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for a change under this section 7.02 with respect to expenditures paid or incurred in taxable years beginning before January 1, 2025. *See* section 8.02(2) of Rev. Proc. 2015-13.

(9) Special rule for changes to the § 174A(c) amortization method. A change under 7.02(3)(b) of this revenue procedure for a taxable year beginning after December 31, 2024, and before January 1, 2026, will constitute an election by the taxpayer under § 174A(c) for the year of change for purposes of section 6 of Rev. Proc. 2025-28.

(10) No inference relating to expenditures paid or incurred in taxable years prior to the first taxable year beginning before January 1, 2025. No inference may be drawn from this section 7.02 regarding the treatment of expenditures paid or incurred in, and changes in methods of accounting for, taxable years in which TCJA § 174 was in effect, including issues relating to the application of Notice 2023-63, 2023-39 I.R.B. 919, as modified by Notice 2024-12, 2024-5 I.R.B. 616.

(11) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under this section 7.02 is not a determination by the Commissioner that the new method of accounting is a permissible method of

accounting, nor does it create any presumption that the new method of accounting is a permissible method of accounting. The director will ascertain whether the new method of accounting is a permissible method of accounting.

(12) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change under this section 7.02 is "273."

(13) Contact information. For further information regarding a change under this section, contact the Office of the Associate Chief Counsel (Income Tax and Accounting), Branch 7 at (202) 317-7005 (not a toll-free number).

.03 Change for Foreign Research or Experimental Expenditures.

(1) Description of change.

(a) In general. This change applies to a taxpayer (applicant) that wants to change its method of accounting for foreign SRE expenditures or foreign research or experimental expenditures, as applicable, paid or incurred in taxable years beginning after December 31, 2021, to:

(i) comply with TCJA § 174 for expenditures paid or incurred in taxable years beginning before January 1, 2025;

(ii) rely on interim guidance provided in sections 3, 4, 5, 6, or 7 of Notice 2023-63, 2023-39 I.R.B. 919, as modified by Notice 2024-12, 2024-5 I.R.B. 616; or

(iii) comply with the changes made to § 174 by the OBBBA for expenditures paid or incurred in taxable years beginning after December 31, 2024, for taxable years beginning before January 1, 2026.

(b) Changes included in section 7.03(1)(a) of this revenue procedure. The

changes described in section 7.03(1)(a)(i) and (ii) of this revenue procedure include, among other changes:

(i) a change from capitalizing SRE expenditures, as defined in TCJA § 174(b) and section 4.02(2) of Notice 2023-63, as applicable, to inventoriable property or depreciable property and recovering such expenditures through cost of goods sold or depreciation, respectively, to capitalizing and amortizing such expenditures under TCJA § 174(a) or section 3.02 of Notice 2023-63, as applicable; and

(ii) from treating an expenditure that does not meet the definition of SRE expenditures as an SRE expenditure subject to capitalization and amortization under TCJA § 174(a) or section 3.02 of Notice 2023-63, as applicable, to treating such expenditure under the appropriate provision of the Code.

(2) Inapplicability. This change described in section 7.03(1)(a) of this revenue procedure does not apply to:

(a) a change in the treatment of acquired, leased, or licensed computer software under Rev. Proc. 2000-50, 2000-2 C.B. 601, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358 (*see* section 9.01 of this revenue procedure);

(b) a change in the treatment of research or experimental expenditures under § 174, as in effect prior to the amendments made by § 13206(a) of the TCJA, or software development expenditures, paid or incurred in taxable years beginning before January 1, 2022 (*see* section 9.01 of this revenue procedure);

(c) a change to rely on interim guidance provided in sections 8 and 9 of Notice 2023-63, as modified by Notice 2024-12;

(d) a change from treating SRE expenditures paid or incurred by a taxpayer that

transfers related property (that is, property with respect to which such SRE expenditures were paid or incurred) in a § 351 exchange as amortizable by the transferee corporation following such exchange, to treating such SRE expenditures as amortizable by the transferor following such exchange (as such a change is not a change in method of accounting);

(e) a change in the treatment of domestic research or experimental expenditures (as defined in § 174A(b)) paid or incurred in taxable years beginning after December 31, 2024, or, in the case of a small business taxpayer (as defined in section 7.02(2)(e) of this revenue procedure), a change in the treatment of such expenditures paid or incurred in taxable years beginning after December 31, 2021 (*see* section 7.02 of this revenue procedure); or

(f) a change in the treatment of domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025 (*see* section 7.01 of this revenue procedure).

(3) Manner of making change.

(a) Modified § 481(a) adjustment and cut-off.

(i) In general. Except as provided in section 7.03(3)(a)(ii) of this revenue procedure, the changes under section 7.03(1)(a)(i) and (ii) of this revenue procedure are made with a modified § 481(a) adjustment that takes into account only expenditures paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025. For the first taxable year beginning after December 31, 2024, the change under 7.03(1)(a)(iii) of this revenue procedure is made on a cut-off basis. For all other taxable years, the change under 7.03(1)(a)(iii) of this revenue procedure is

made with a modified § 481(a) adjustment that takes into account only expenditures paid or incurred in taxable years beginning after December 31, 2024.

(ii) Exception for negative modified § 481(a) adjustment. If a change described in section 7.03(3)(a)(i) or (ii) of this revenue procedure for SRE expenditures under TCJA § 174 results in a modified § 481(a) adjustment that is negative, the taxpayer may instead choose to implement the change on a cut-off basis.

(b) Form 3115 and required statement. In completing a Form 3115, *Application for Change in Accounting Method*, to make the change in method of accounting under section 7.03(1)(a) of this revenue procedure, the applicant must include on an attachment to Form 3115:

(i) a general description of the type of expenditures included as foreign SRE expenditures or foreign research or experimental expenditures, as applicable;

(ii) the taxable year(s) in which the expenditures subject to the change were paid or incurred by the applicant; and

(iii) a declaration that provides the reason for which the applicant is changing its method of accounting under section 7.03(1)(a) of this revenue procedure. The declaration must also state whether the applicant is making the change on a cut-off basis or with a modified § 481(a) adjustment under section 7.03(3)(a) of this revenue procedure.

(4) Transition rule. A taxpayer that filed a Federal income tax return on or before January 17, 2023, for a taxable year beginning after December 31, 2021, is deemed to have complied with the § 446 method change procedures and section 7.03 of this revenue procedure to change its method of accounting for foreign research or

experimental expenditures paid or incurred in the first taxable year beginning after December 31, 2021, to comply with TCJA § 174 if the taxpayer:

(a) reported the amount of research or experimental expenditures that constitute SRE expenditures paid or incurred for such taxable year on Part VI of Form 4562, *Depreciation and Amortization*, filed with the Federal income tax return; and

(b) properly capitalized and amortized such SRE expenditures in accordance with TCJA § 174 for such taxable year.

(5) Certain eligibility rules inapplicable.

(a) In general. The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to a change described in section 7.03(1)(a)(i) or (ii) of this revenue procedure made by a taxpayer for any taxable year beginning in 2023 or 2024. The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to a change described in section 7.03(1)(a)(iii) of this revenue procedure made by a taxpayer for the first taxable year beginning after December 31, 2024.

(b) Changes made in successive taxable years. A taxpayer may make a change described in section 7.03(1)(a)(i) or (ii) of this revenue procedure for a taxable year beginning in 2023 or 2024, regardless of whether the taxpayer made a change for the same item for any previous taxable year beginning in 2022, 2023, or 2024.

(6) Limited audit protection. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for the change under section 7.03(1)(a)(i) or (ii) of this revenue procedure with respect to expenditures paid or incurred in taxable years beginning on or before December 31, 2021. Additionally, a taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for a change under section

7.03(1)(a)(i) or (ii) of this revenue procedure made for any taxable year beginning in 2023, with respect to expenditures paid or incurred in the first taxable year beginning after December 31, 2021, if the taxpayer did not change its method of accounting under section 7.01(1)(a) in an effort to comply with TCJA § 174 for the first taxable year beginning after December 31, 2021. Finally, a taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for a change under section 7.03(1)(a)(iii) of this revenue procedure with respect to expenditures paid or incurred in taxable years beginning before December 31, 2024. *See* section 8.02(2) of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section 7.03 of this revenue procedure is "274."

(8) No inference relating to expenditures paid or incurred in taxable years prior to the first taxable year in which TCJA § 174 became effective. No inference may be drawn from section 7.03 of this revenue procedure regarding the treatment of expenditures paid or incurred in, and changes in methods of accounting for, taxable years prior to when TCJA § 174 was in effect, including issues relating to the application of §§ 1.174-1, 1.174-2, 1.174-3, and 1.174-4 for taxable years prior to when TCJA § 174 was in effect.

(9) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 7.03(1)(a)(i) or (ii) of this revenue procedure is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting, nor does it create any presumption that the new

method of accounting is a permissible method of accounting. The director will ascertain whether the new method of accounting is a permissible method of accounting.

(10) Contact information. For further information regarding a change under this section, contact the Office of Associate Chief Counsel (Income Tax and Accounting), Branch 7 at (202) 317-7005 (not a toll-free number).

SECTION 8. RELIEF PROVIDED TO AN ELIGIBLE ENTITY

.01 Scope. The filing-and-furnishing extensions provided by section 8.02 of this revenue procedure apply to an eligible partnership, S corporation, C corporation, individual, trust, estate, or exempt organization described in section 8.03 of this revenue procedure for the taxable year described in section 8.04 of this revenue procedure.

.02 Relief. The IRS will treat the timely filing of Form 1065, including the furnishing of any applicable Schedules K-1, by a partnership, Form 1120-S, including the furnishing of any applicable Schedules K-1, by an S corporation, Form 1120 (or another form in the Form 1120 series) by a C corporation, Form 1040 by an individual, Form 1041, including the furnishing of any applicable Schedules K-1, by a trust or estate, or Form 990-T by an exempt organization described in section 8.03 of this revenue procedure, as a timely and appropriately filed request for a six-month extension of the due date to file the Form 1065, Form 1120-S, Form 1120 (or another form in the Form 1120 series), Form 1040 (Schedule C), Form 1041, or Form 990-T, as applicable. An eligible partnership, S corporation, C corporation, individual, trust, estate, or exempt organization that timely filed a tax return (without regard to the extension of time provided by this revenue procedure) may file a superseding tax return, as well as furnish Schedules K-1, as applicable, before the expiration of the extended due date.

.03 Eligible entities. The filing-and-furnishing extensions provided in section 8.02 of this revenue procedure are available only to a partnership, S corporation, C corporation, individual, trust, estate, or exempt organization that (1) timely filed a tax return and furnished any applicable Schedules K-1 prior to application of this revenue procedure before September 15, 2025, (2) did not otherwise file for an extension, and (3) files a superseding tax return and furnishes any applicable Schedules K-1 on or before the date that is six months after the taxpayer's due date (excluding any extension) solely for purposes of (i) making the small business OBBBA election provided in section 3 of this revenue procedure, (ii) making the late § 280C(c)(2) election provided in section 4 of this revenue procedure, (iii) revoking a prior § 280C(c)(2) election under section 5 of this revenue procedure, or (iv) making a change in method of accounting described in section 7.02(3)(c) of Rev. Proc. 2025-23, as modified by this revenue procedure.

.04 Eligible taxable year. The filing-and-furnishing extensions provided in this section 8 apply only to a partnership, S corporation, C corporation, individual, trust, estate, or exempt organization taxable year beginning during 2024 that ended prior to September 15, 2025 and for which the due date (excluding any extension) for the return of tax for such taxable year would be before September 15, 2025.

.05 Procedure. To take advantage of the relief provided in this section 8, an eligible partnership, S corporation, C corporation, individual, trust, estate, or exempt organization must file a superseding tax return in the same manner as the original return and write on the top of the superseding tax return "REVENUE PROCEDURE 2025-28."

SECTION 9. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies section 7 of Rev. Proc. 2025-23.

SECTION 10. EFFECTIVE DATE

.01 In general. Sections 3 through 6 and section 8 of this revenue procedure are effective August 28, 2025. Sections 7.02 and 7.03 of Rev. Proc. 2025-23, as modified by this revenue procedure, are effective for a Form 3115 filed after August 28, 2025. Except as otherwise provided under this section 10, section 7.01 of Rev. Proc. 2025-23, as modified by this revenue procedure, is effective for a Form 3115 filed after August 28, 2025.

.02 Transition rule for taxpayers that properly file the duplicate copy of Form 3115 before November 15, 2025, for a change described in section 7.01(1)(a) of Rev. Proc. 2025-23, prior to modification by this revenue procedure.

(1) In general. If, before November 15, 2025, a taxpayer properly files the duplicate copy of a Form 3115 for a change described in section 7.01(1)(a) of Rev. Proc. 2025-23, prior to modification by this revenue procedure, the Form 3115 is not subject to the effective date provided in section 10.01 of this revenue procedure for section 7.01 of Rev. Proc. 2025-23, as modified by this revenue procedure.

(2) For domestic research or experimental expenditures, option to implement change as described in section 7.01 of Rev. Proc. 2025-23, as modified by this revenue procedure. If, before September 15, 2025, a taxpayer properly files the duplicate copy of a Form 3115 for a change in method of accounting described in section 7.01(1)(a) of Rev. Proc. 2025-23, as modified prior to September 15, 2025, that continues to be eligible for the automatic change procedures under section 7.01(1)(a) of Rev. Proc. 2025-23, as modified by this revenue procedure, but has not filed its timely filed

(including extensions) original Federal income tax return for the year of change implementing the change, the taxpayer may choose to implement the change as described in either (1) section 7.01(1)(a) of Rev. Proc. 2025-23, as modified prior to September 15, 2025, or (2) section 7.01(1)(a) of Rev. Proc. 2025-23, as modified by this revenue procedure, but not both.

(3) For foreign research or experimental expenditures, option to implement change as described in section 7.03 of Rev. Proc. 2025-23, as modified by this revenue procedure. If, before September 15, 2025, a taxpayer properly files the duplicate copy of a Form 3115 for a change in method of accounting described in section 7.01(1)(a) of Rev. Proc. 2025-23, as modified prior to September 15, 2025, that continues to be eligible for the automatic change procedures under section 7.03 of Rev. Proc. 2025-23, as modified by this revenue procedure, but has not filed its timely filed (including extensions) original Federal income tax return for the year of change implementing the change, the taxpayer may choose to implement the change as described in either (1) section 7.01(1)(a) of Rev. Proc. 2025-23, as modified prior to September 15, 2025, or (2) section 7.03 of Rev. Proc. 2025-23, as modified by this revenue procedure, but not both.

SECTION 11. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of

information unless it displays a valid control number assigned by the Office of Management and Budget.

The collections of information in this revenue procedure are in sections 3, 4, 5, 6, 7 and 8. This information is necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting, properly made small business elections under OBBBA § 70302(f)(1), properly elected to capitalize and amortize its domestic research or experimental expenditures under § 174A(c), or properly elected to deduct certain unamortized amounts under OBBBA § 70302(f)(2). The collection of information is required for the taxpayer to obtain consent to change its method of accounting or make elections under OBBBA § 70302(f).

These collection requirements are included in the OMB Control Number 1545-0074 for individual filers, 1545-0123 for business filers, 1545-0092 for trust and estate filers, and 1545-0047 for tax-exempt filers, in accordance with the PRA (44 U.S.C. § 3507).

SECTION 12. DRAFTING INFORMATION

The principal author of this revenue procedure are personnel from the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, please contact the Office of the Associate Chief Counsel (Income Tax and Accounting), Branch 7 at (202) 317-7005 (not a toll-free number).