



# Boost to Businesses - Build It In America Act

Research & Development  
Tax Credits



**Research and Development (R&D) Tax Credit / Research and Expenditures**

## **Boost to Businesses – Build It In America Act**

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On Tuesday, June 13, the House Ways and Means Committee approved three bills: the **Small Business Jobs Act**, or H.R. 3937, and the **Build It in America Act**, or H.R. 3938, by votes of 24-18; and the **Tax Cuts for Working Families Act**, or H.R. 3936, by a vote of 24-16. The Build It In America Act proposes significant changes to the R&D tax credit, addressing the concerns of business taxpayers.

The Build It In America Act, consisting of three bills, was introduced by the House of Representatives on June 9. It aims to address concerns of businesses regarding rising interest rates and limited deductions for research and experimental expenses. The bills may have a significant impact on federal income tax payments for businesses, particularly in relation to the R&D tax credit.

“This legislation represents a jobs package that will put money back into the pockets of hardworking Americans, who have seen so much of their paychecks stolen by inflation,” committee Chairman Jason Smith, R-Mo., said at the hearing. “This legislation makes it easier for entrepreneurs to pursue their American dream, find the investment they need to start a new business. It helps small businesses grow and buy the new equipment needed to expand their facilities and be more productive.”

### **Potential Impacts on the R&D Tax Credit**

### **R&D Tax Credit Extension:**

Research and experimental expenditures need to be capitalized over a specific period. However, under the proposed act, taxpayers could deduct these expenses in the tax years beginning after December 31, 2021, and before January 1, 2026. This extension is vital to maintain the United States' position as a global innovation leader.

### **Interest Expense Deduction Limitation:**

While the act doesn't eliminate the interest expense deduction limitation, it offers some relief to businesses. It broadens the base of the calculation by allowing the addition of depreciation and amortization before applying the 30% limitation. This change aims to help businesses affected by the removal of depreciation and amortization in the calculation.

### **Bonus Depreciation:**

Under the proposed act, the 100% bonus depreciation provision would be extended for qualified property placed in service before January 1, 2026. This provision allows businesses to accelerate their depreciation deductions and enhance their cash flow.

### **The Importance of Revenue Offsets**

While these proposed changes are essential for businesses and the economy, the U.S. government is facing challenges related to the deficit. The deficit is projected to nearly double over the next decade, reaching \$2.7 trillion in 2033. As a result, any legislation increasing the deficit must be offset with revenue raisers or eliminating other expenditures.

### **Impact on Clean Energy Initiatives**

To offset the revenue lost from the proposed tax extenders, the Build It In America Act suggests adjustments to various clean energy initiatives. These adjustments, estimated to raise \$216.1 billion, include repealing certain provisions and modifying the clean vehicle credit. It's important to consider the broader implications of these adjustments on clean energy initiatives and their role in driving sustainable growth.

### **The Future: Research and Development Tax Credit and Beyond**

Looking ahead businesses should be aware that more provisions from the TCJA are set to expire in 2026. These changes could potentially lead to significant federal income tax reform. Therefore, it's crucial for businesses to stay informed about the evolving tax landscape and plan accordingly.

The Build It In America Act brings promising opportunities for businesses, particularly with the extension of the R&D tax credit. However, the road to passing tax extenders requires careful consideration of revenue offsets and broader economic implications. By staying informed and proactive, businesses can leverage these tax provisions to drive innovation, boost their bottom line, and contribute to a stronger economy.

## About Section 41

The Section 41 research tax credit is here to stay, and it's a fantastic incentive for businesses that engage in qualified research activities. To be eligible, your research must meet a four-part test.

First, it must be aimed at creating a new or improved product, process, technique, invention, software, or formulation.

Second, it must eliminate uncertainty about the development of that new or improved business component.

Third, the process of experimentation must be founded on hard science principles.

And fourth, the process must involve the analysis of alternatives. Remember, there are some exceptions, like research conducted after commercial production has started or surveys focused on market research.

KBKG can assist you in navigating those exceptions. Remember, if you have questions or need assistance with understanding the R&D tax credit and its impact on your business, KBKG are qualified tax professionals here to ensure compliance and maximize your benefits for your research and expenditures needs. Let's get started on claiming your well-deserved tax credit.

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## About the Author

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Kevin is a Principal and Practice Leader of KBKG's **Research and Development (R&D) Tax Credit Services** from our Pasadena headquarters. He has over 20 years of consulting experience providing R&D tax credit services to companies of various sizes. Prior to KBKG, he spent nearly a decade at PricewaterhouseCoopers, focusing on securing R&D Tax Credits for Fortune 500 companies. Kevin enjoys working with small to mid-size business owners and over his career has documented hundreds of millions of dollars in research credits. [» Full Bio](#)

