



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D. C. 20224

OFFICE OF THE CHIEF COUNSEL

July 17, 2024

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To whom it may concern:

This letter responds to your letter dated April 12, 2024, requesting permission to adopt the method described in former section 174(a) to treat research and experimental expenditures paid or incurred during the taxable year in connection with the taxpayer's trade or business as deductible expenses not chargeable to a capital account.

Please note that the law has changed, and no longer allows research and experimental expenditures to be deducted currently. For amounts paid or incurred in taxable years beginning after December 31, 2021, section 174(a)(1) disallows deductions for specified research and experimental expenditures, and section 174(a)(2) requires taxpayers to instead charge such expenditures to a capital account and allows amortization deductions over a period of 5 or 15 years. See section 7.01 of Rev. Proc. 2024-23 for the automatic method change to comply with section 174. Procedures for making the automatic method change are included in Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See section 2.01 of Rev. Proc. 2024-1, 2024-1 IRB 1 (January 2, 2024). If you have any additional questions, please contact our office at (202) 317-6853.

Sincerely,

Patrick S. Kirwan
Chief, Branch 6
(Passthroughs & Special Industries)