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KPMG report: State conformity to federal treatment of section 174 R&E costs

Included within the numerous provisions of Pub. L. No. 115-97 (commonly referred to as the “Tax Cuts and Jobs Act” (TCJA)), were amendments to the federal income tax expensing rules for research and experimentation (R&E) costs under section 174. Although the TCJA was enacted in 2017, these changes did not become effective until tax years beginning on or after January 1, 2022.

The amendments require taxpayers generally to capitalize and amortize domestic R&E costs over five years and foreign R&E costs over 15 years. Previously, taxpayers could immediately deduct R&E costs in the year they were incurred or elect to capitalize and amortize those costs over 60 months. The state corporate income tax effect of the changes depends on how states conform to the Code.

Read a [KPMG report](#)¹ that explores which states likely conform to the amendments to section 174, which states likely decouple from those changes, and the issues raised by conformity to or decoupling from the changes.

¹ This article appears in *The Tax Adviser* (June 1, 2023) and is provided with permission.

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