

119TH CONGRESS
1ST SESSION

H. R. 1990

To amend the Internal Revenue Code of 1986 to restore the deduction
for research and experimental expenditures.

IN THE HOUSE OF REPRESENTATIVES

MARCH 10, 2025

Mr. ESTES (for himself, Mr. LARSON of Connecticut, Mr. BUCHANAN, Ms. DELBENE, Mr. SMITH of Nebraska, Ms. SEWELL, Mr. KELLY of Pennsylvania, Mr. BEYER, Mr. SCHWEIKERT, Mr. PANETTA, Mr. LAHOOD, Mr. HORSFORD, Mr. ARRINGTON, Ms. BROWNLEY, Mr. SMUCKER, Mr. KHANNA, Mr. HERN of Oklahoma, Ms. BONAMICI, Mrs. MILLER of West Virginia, Ms. TITUS, Mr. MURPHY, Ms. HOULAHAN, Mr. KUSTOFF, Mr. CLEAVER, Mr. FITZPATRICK, Mr. CARBAJAL, Mr. STEUBE, Mrs. FOUSHEE, Ms. TENNEY, Ms. SCHOLTEN, Mrs. FISCHBACH, Ms. DAVIDS of Kansas, Mr. MOORE of Utah, Ms. CRAIG, Ms. VAN DUYNE, Mr. MORELLE, Mr. FEENSTRA, Mr. DAVIS of North Carolina, Ms. MALLIOTAKIS, Mr. HARDER of California, Mr. CAREY, Mr. NEGUSE, Mr. YAKYM, Mr. AUCHINCLOSS, Mr. MILLER of Ohio, Mr. PAPPAS, Mr. BEAN of Florida, Mr. MOULTON, Mr. MORAN, Mr. MULLIN, Mr. MOOLENAAR, Mr. CONNOLLY, Mrs. HARSHBARGER, Ms. MCCLELLAN, Mr. HUIZENGA, Mr. KRISHNAMOORTHY, Mr. MANN, Mr. LIEU, Mr. BARR, Ms. JACOBS, Mr. CARTER of Georgia, Mr. SWALWELL, Mr. MEUSER, Mr. GARAMENDI, Mr. MCCORMICK, Mr. AMO, Mr. EDWARDS, and Mrs. BEATTY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to restore
the deduction for research and experimental expenditures.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “American Innovation
3 and R&D Competitiveness Act of 2025”.

4 **SEC. 2. RESEARCH AND EXPERIMENTAL EXPENDITURES.**

5 (a) IN GENERAL.—Section 174 of the Internal Rev-
6 enue Code of 1986 is amended to read as follows:

7 **“SEC. 174. RESEARCH AND EXPERIMENTAL EXPENDITURES.**

8 “(a) TREATMENT AS EXPENSES.—

9 “(1) IN GENERAL.—A taxpayer may treat re-
10 search or experimental expenditures which are paid
11 or incurred by him during the taxable year in con-
12 nection with his trade or business as expenses which
13 are not chargeable to capital account. The expendi-
14 tures so treated shall be allowed as a deduction.

15 “(2) WHEN METHOD MAY BE ADOPTED.—

16 “(A) WITHOUT CONSENT.—A taxpayer
17 may, without the consent of the Secretary,
18 adopt the method provided in this subsection
19 for his first taxable year for which expenditures
20 described in paragraph (1) are paid or incurred.

21 “(B) WITH CONSENT.—A taxpayer may,
22 with the consent of the Secretary, adopt at any
23 time the method provided in this subsection.

24 “(3) SCOPE.—The method adopted under this
25 subsection shall apply to all expenditures described
26 in paragraph (1). The method adopted shall be ad-

1 hered to in computing taxable income for the taxable
2 year and for all subsequent taxable years unless,
3 with the approval of the Secretary, a change to a
4 different method is authorized with respect to part
5 or all of such expenditures.

6 “(b) AMORTIZATION OF CERTAIN RESEARCH AND
7 EXPERIMENTAL EXPENDITURES.—

8 “(1) IN GENERAL.—At the election of the tax-
9 payer, made in accordance with regulations pre-
10 scribed by the Secretary, research or experimental
11 expenditures which are—

12 “(A) paid or incurred by the taxpayer in
13 connection with his trade or business,

14 “(B) not treated as expenses under sub-
15 section (a), and

16 “(C) chargeable to capital account but not
17 chargeable to property of a character which is
18 subject to the allowance under section 167 (re-
19 lating to allowance for depreciation, etc.) or sec-
20 tion 611 (relating to allowance for depletion),

21 may be treated as deferred expenses. In computing
22 taxable income, such deferred expenses shall be al-
23 lowed as a deduction ratably over such period of not
24 less than 60 months as may be selected by the tax-
25 payer (beginning with the month in which the tax-

1 payer first realizes benefits from such expenditures).
2 Such deferred expenses are expenditures properly
3 chargeable to capital account for purposes of section
4 1016(a)(1) (relating to adjustments to basis of prop-
5 erty).

6 “(2) TIME FOR AND SCOPE OF ELECTION.—The
7 election provided by paragraph (1) may be made for
8 any taxable year, but only if made not later than the
9 time prescribed by law for filing the return for such
10 taxable year (including extensions thereof). The
11 method so elected, and the period selected by the
12 taxpayer, shall be adhered to in computing taxable
13 income for the taxable year for which the election is
14 made and for all subsequent taxable years unless,
15 with the approval of the Secretary, a change to a
16 different method (or to a different period) is author-
17 ized with respect to part or all of such expenditures.
18 The election shall not apply to any expenditure paid
19 or incurred during any taxable year before the tax-
20 able year for which the taxpayer makes the election.

21 “(c) LAND AND OTHER PROPERTY.—This section
22 shall not apply to any expenditure for the acquisition or
23 improvement of land, or for the acquisition or improve-
24 ment of property to be used in connection with the re-
25 search or experimentation and of a character which is sub-

1 ject to the allowance under section 167 (relating to allow-
 2 ance for depreciation, etc.) or section 611 (relating to al-
 3 lowance for depletion); but for purposes of this section al-
 4 lowances under section 167, and allowances under section
 5 611, shall be considered as expenditures.

6 “(d) EXPLORATION EXPENDITURES.—This section
 7 shall not apply to any expenditure paid or incurred for
 8 the purpose of ascertaining the existence, location, extent,
 9 or quality of any deposit of ore or other mineral (including
 10 oil and gas).

11 “(e) ONLY REASONABLE RESEARCH EXPENDITURES
 12 ELIGIBLE.—This section shall apply to a research or ex-
 13 perimental expenditure only to the extent that the amount
 14 thereof is reasonable under the circumstances.”.

15 (b) CLERICAL AMENDMENT.—The table of sections
 16 for part VI of subchapter B of chapter 1 of such Code
 17 is amended by striking the item relating to section 174
 18 and inserting the following new item:

“Sec. 174. Research and experimental expenditures”.

19 (c) CONFORMING AMENDMENTS.—

20 (1) Section 41(d)(1)(A) of such Code is amend-
 21 ed by striking “specified research or experimental
 22 expenditures under section 174” and inserting “ex-
 23 penses under section 174”.

24 (2) Section 280C(c) of such Code is amended to
 25 read as follows:

1 “(c) CREDIT FOR INCREASING RESEARCH ACTIVI-
2 TIES.—

3 “(1) IN GENERAL.—No deduction shall be al-
4 lowed for that portion of the qualified research ex-
5 penses (as defined in section 41(b)) or basic re-
6 search expenses (as defined in section 41(e)(2)) oth-
7 erwise allowable as a deduction for the taxable year
8 which is equal to the amount of the credit deter-
9 mined for such taxable year under section 41(a).

10 “(2) SIMILAR RULE WHERE TAXPAYER CAP-
11 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

12 “(A) the amount of the credit determined
13 for the taxable year under section 41(a)(1), ex-
14 ceeds

15 “(B) the amount allowable as a deduction
16 for such taxable year for qualified research ex-
17 penses or basic research expenses (determined
18 without regard to paragraph (1)),

19 the amount chargeable to capital account for the
20 taxable year for such expenses shall be reduced by
21 the amount of such excess.

22 “(3) ELECTION OF REDUCED CREDIT.—

23 “(A) IN GENERAL.—In the case of any
24 taxable year for which an election is made
25 under this paragraph—

1 “(i) paragraphs (1) and (2) shall not
2 apply, and

3 “(ii) the amount of the credit under
4 section 41(a) shall be the amount deter-
5 mined under subparagraph (B).

6 “(B) AMOUNT OF REDUCED CREDIT.—The
7 amount of credit determined under this sub-
8 paragraph for any taxable year shall be the
9 amount equal to the excess of—

10 “(i) the amount of credit determined
11 under section 41(a) without regard to this
12 paragraph, over

13 “(ii) the product of—

14 “(I) the amount described in
15 clause (i), and

16 “(II) the rate of tax under sec-
17 tion 11(b).

18 “(C) ELECTION.—An election under this
19 paragraph for any taxable year shall be made
20 not later than the time for filing the return of
21 tax for such year (including extensions), shall
22 be made on such return, and shall be made in
23 such manner as the Secretary may prescribe.
24 Such an election, once made, shall be irrev-
25 ocable.

1 “(4) CONTROLLED GROUPS.—Paragraph (3) of
2 subsection (b) shall apply for purposes of this sub-
3 section.”.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2021.

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