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## **Internal Revenue Code Section 174A**

### **Domestic research or experimental expenditures**

(a) Treatment as expenses.

Notwithstanding section 263, there shall be allowed as a deduction any domestic research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year.

(b) Domestic research or experimental expenditures.

For purposes of this section, 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 section 41(d)(4)(F)).

(c) Amortization of certain domestic research or experimental expenditures.

(1) In general.

At the election of the taxpayer, made in accordance with regulations or other guidance provided by the Secretary, in the case of domestic research or experimental expenditures which would (but for subsection (a)) be chargeable to capital account but not chargeable to property of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion), subsection (a) shall not apply and the taxpayer shall--

(A) charge such expenditures to capital account, and

(B) be allowed an amortization deduction of such expenditures ratably over such period of not less than 60 months as may be selected by the taxpayer (beginning with the month in which the taxpayer first realizes benefits from such expenditures).

(2) Time for and scope of election.

The election provided by paragraph (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 method so elected, and the period selected by the taxpayer, shall be adhered to in computing taxable income for the taxable year for which the election is made and for all subsequent taxable years unless, with the approval of the Secretary, a change to a different method (or to a different period) is authorized with respect to part or all of such expenditures. The election shall not apply to any expenditure paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election.

(d) Special rules.

(1) Land and other property.

This section shall 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 section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures.

(2) Exploration expenditures.

This section shall 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).

(3) Software development.

For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.