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April 1, 2025

Melanie Krause
Acting Commissioner
Internal Revenue Service
Washington, D.C. 20222

Acting Commissioner Krause:

I write to request that the Internal Revenue Service (IRS) rescind the new Form 6765, "Credit for Increasing Research Activities," issued on December 12, 2024, and the associated instructions. Additionally, I must raise concerns about the IRS's overall approach to administering the research tax credit, including how the IRS has been handling amended returns for research credit claims, conducting research credit audits, and taking research credit cases to court.

For decades, as Congress intended, American businesses' use of the research credit has helped drive our nation's leadership in innovation. Congress never intended for a government agency to stifle the groundbreaking research and growth of job creators. In fact, the Conference Agreement accompanying the 1999 extension of the research tax credit stated, "The conferees also are concerned about unnecessary and costly taxpayer recordkeeping burdens and reaffirm that eligibility for the credit is not intended to be contingent on meeting unreasonable recordkeeping requirements."¹

While the Internal Revenue Code and Treasury regulations echo this intent on various accounts, my constituent businesses—particularly in the manufacturing sector—continue to raise concerns about the IRS challenging, and in some cases litigating, the adequacy of taxpayers' documentation to substantiate qualified research expenses. At a time when nearly every industry has faced rising input costs across the board, the IRS should not be seeking to make the research credit more difficult, time-consuming, and costly to claim.

The new Form 6765, originally issued during the Biden Administration, introduces new and extensive requirements to prove that a business's activities qualify as research, track employee time at very granular levels, and document expenses to "business components." This places a heavy compliance cost on businesses of all sizes – from large operations to smaller ones seeking

¹ Rept. No. 106-478 at p. 132 (November 17, 1999).

to grow. For example, new Sections E and G ask taxpayers to detail quantitative and qualitative information at a business component level, even though neither the Code nor the regulations require a taxpayer to provide qualified research expenses (QREs) by business component (“project”). Furthermore, it would be common for a given business to be developing hundreds or even thousands of business components annually.

The requirements in the new Form 6765 not only impose additional administrative hurdles, but also increase the likelihood of errors, resulting in potential audits or penalties. Businesses would now have to incur additional, significant expenditures for:

- Systems such as employee time tracking and project cost accounting for non-wage expenses, and
- External advisors to navigate these convoluted requirements, further reducing the net benefit of the credit.

Moreover, there would be a significant cost associated with the valuable time lost due to the added administrative burden of employees, such as scientists and engineers, having to enter related information into time tracking systems on a regular, recurring basis.

Innovators are the driving force behind America's global competitiveness and quality of life at home. Consistent with President Trump's pro-growth agenda, we cannot allow a government agency to stifle the groundbreaking research and growth of job creators. In addition to rescinding new Form 6765, I recommend that, in its overall approach, the IRS adhere to Congressional intent instead of focusing on litigating and challenging legitimate research credit claims – as it has done in the past. I am confident that the sentiment expressed in this letter would help ensure that the research credit truly serves its Congressionally intended purpose of fostering a competitive, innovative economy.

Thank you for your attention to this matter. I stand ready to work with you to address these issues and I look forward to receiving your response.

Sincerely,



Bill Huizenga
Member of Congress