

# RESEARCH & DEVELOPMENT

## Reinstate Full R&D Expensing

### Action Needed:

Co-Sponsor  
H.R. 2673/S.866 to  
promote innovation  
and R&D in the  
construction industry.

### Background:

The Tax Cuts and Jobs Act (TCJA) was signed into law in 2017, and included a number of significant changes to the tax code, some of which were phased in over time. In 2022, one of these changes went into effect, which affected the way research and development (R&D) expenses are taxed.

Before TCJA, R&D expenses were fully deductible in the year they were incurred (expensed) under Section 174 of the tax code. The TCJA amended Section 174, so that R&D costs now need to be amortized over a period of five years.

Contrary to what some may believe, construction firms typically incur significant R&D expenses each year, especially those that invest in Building Information Modeling (BIM), pre-fabrication and off-site manufacturing, or other new technology such as drones. These investments can improve productivity, reduce costs, and improve safety for workers at the job site.

Having to amortize these costs over five years reduces the incentive for construction to make these investments. Additionally, because of the unique accounting methods for “long-term” contracts (longer than one year) that some contractors must use under Section 460 of the tax code, calculating and reporting these costs for a given construction project is exceedingly difficult and time consuming.

### AGC Message:

- **Support the *American Innovation and R&D Competitiveness Act/American Innovation and Jobs Act*.** Bipartisan legislation has been introduced in both the House and Senate to reinstate full expensing for research and development costs under Section 174. The *American Innovation and R&D Competitiveness Act* (H.R. 2673) is lead by Congressmen Ron Estes (R-KS), and John Larson (D-CT) and currently has 137 cosponsors. The *American Innovation and Jobs Act* (S. 866) is lead by Senators Hassan (D-NH) and Young (R-IN), and has 37 cosponsors.