

119TH CONGRESS
1ST SESSION

S. 1639

To amend the Internal Revenue Code of 1986 to enhance tax benefits for
research activities.

IN THE SENATE OF THE UNITED STATES

MAY 7, 2025

Mr. YOUNG (for himself, Ms. HASSAN, Mr. LANKFORD, Mrs. SHAHEEN, Mr. DAINES, Mr. WARNER, Mr. BARRASSO, Ms. ROSEN, Mr. TILLIS, Mr. PETERS, Mr. MARSHALL, Mr. PADILLA, Mr. TUBERVILLE, Mrs. MURRAY, Mr. KENNEDY, Ms. KLOBUCHAR, Mr. RICKETTS, Mr. KELLY, Mrs. BRITT, Mr. KAINE, Mrs. CAPITO, Ms. CORTEZ MASTO, Mrs. FISCHER, Ms. BALDWIN, Mr. MORAN, Mr. LUJÁN, Mr. HAGERTY, Mr. COONS, Mr. MULLIN, Ms. SLOTKIN, Mr. WICKER, Mr. KING, Mr. BUDD, Mr. OSSOFF, Mr. HUSTED, and Mr. HEINRICH) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to enhance
tax benefits for research activities.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Innovation
5 and Jobs Act”.

1 **SEC. 2. RESTORING IMMEDIATE EXPENSING FOR RE-**
 2 **SEARCH AND DEVELOPMENT INVESTMENTS.**

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

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

6 **“(a) TREATMENT AS EXPENSES.—**

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

13 **“(2) WHEN METHOD MAY BE ADOPTED.—**

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

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

22 **“(3) SCOPE.—**The method adopted under this
 23 subsection shall apply to all expenditures described
 24 in paragraph (1). The method adopted shall be ad-
 25 hered to in computing taxable income for the taxable
 26 year and for all subsequent taxable years unless,

1 with the approval of the Secretary, a change to a
 2 different method is authorized with respect to part
 3 or all of such expenditures.

4 “(b) AMORTIZATION OF CERTAIN RESEARCH AND
 5 EXPERIMENTAL EXPENDITURES.—

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

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

12 “(B) not treated as expenses under sub-
 13 section (a), and

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

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

25 Such deferred expenses are expenditures properly

1 chargeable to capital account for purposes of section
2 1016(a)(1) (relating to adjustments to basis of prop-
3 erty).

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

19 “(c) LAND AND OTHER PROPERTY.—This section
20 shall not apply to any expenditure for the acquisition or
21 improvement of land, or for the acquisition or improve-
22 ment of property to be used in connection with the re-
23 search or experimentation and of a character which is sub-
24 ject to the allowance under section 167 (relating to allow-
25 ance for depreciation, etc.) or section 611 (relating to al-

lowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures.

“(d) 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).

“(e) ONLY REASONABLE RESEARCH EXPENDITURES ELIGIBLE.—This section shall apply to a research or experimental expenditure only to the extent that the amount thereof is reasonable under the circumstances.

“(f) CROSS REFERENCES.—

“(1) For adjustments to basis of property for amounts allowed as deductions as deferred expenses under subsection (b), see section 1016(a)(14).

“(2) For election of 10-year amortization of expenditures allowable as a deduction under subsection (a), see section 59(e).”.

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

“Sec. 174. Research and experimental expenditures”.

(c) CONFORMING AMENDMENTS.—

1 (1) Section 41(d)(1)(A) is amended by striking
 2 “specified research or experimental expenditures
 3 under section 174” and inserting “expenses under
 4 section 174”.

5 (2) Section 280C(c) is amended to read as fol-
 6 lows:

7 “(c) CREDIT FOR INCREASING RESEARCH ACTIVI-
 8 TIES.—

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

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

18 “(A) the amount of the credit determined
 19 for the taxable year under section 41(a)(1), ex-
 20 ceeds

21 “(B) the amount allowable as a deduction
 22 for such taxable year for qualified research ex-
 23 penses or basic research expenses (determined
 24 without regard to paragraph (1)),

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

“(3) ELECTION OF REDUCED CREDIT.—

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

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

“(ii) the amount of the credit under section 41(a) shall be the amount determined under subparagraph (B).

“(B) AMOUNT OF REDUCED CREDIT.—The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to the excess of—

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

“(ii) the product of—

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

“(II) the rate of tax under section 11(b).

1 “(C) ELECTION.—An election under this
 2 paragraph for any taxable year shall be made
 3 not later than the time for filing the return of
 4 tax for such year (including extensions), shall
 5 be made on such return, and shall be made in
 6 such manner as the Secretary may prescribe.
 7 Such an election, once made, shall be irrev-
 8 ocable.

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

12 (d) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to amounts paid or incurred in tax-
 14 able years beginning after December 31, 2021.

15 **SEC. 3. EXPANDING REFUNDABLE RESEARCH CREDIT FOR**
 16 **NEW AND SMALL BUSINESSES.**

17 (a) INCREASING CAP ON REFUNDABLE CREDIT.—

18 (1) IN GENERAL.—Subclause (I) of section
 19 41(h)(4)(B)(i) of the Internal Revenue Code of 1986
 20 is amended by striking “\$250,000” and inserting
 21 “the applicable amount”.

22 (2) APPLICABLE AMOUNT.—Subclause (II) of
 23 section 41(h)(4)(B)(i) of such Code is amended to
 24 read as follows:

1 “(II) APPLICABLE AMOUNT.—

2 For purposes of subclause (I), the ap-
3 plicable amount is—

4 “(aa) in the case of any tax-
5 able year beginning after Decem-
6 ber 31, 2024, and before Janu-
7 ary 1, 2026, \$500,000,

8 “(bb) in the case of any tax-
9 able year beginning after Decem-
10 ber 31, 2025, and before Janu-
11 ary 1, 2027, \$525,000,

12 “(cc) in the case of any tax-
13 able year beginning after Decem-
14 ber 31, 2026, and before Janu-
15 ary 1, 2028, \$550,000,

16 “(dd) in the case of any tax-
17 able year beginning after Decem-
18 ber 31, 2027, and before Janu-
19 ary 1, 2029, \$575,000,

20 “(ee) in the case of any tax-
21 able year beginning after Decem-
22 ber 31, 2028, and before Janu-
23 ary 1, 2030, \$600,000,

24 “(ff) in the case of any tax-
25 able year beginning after Decem-

ber 31, 2029, and before January 1, 2031, \$625,000,

“(gg) in the case of any taxable year beginning after December 31, 2030, and before January 1, 2032, \$650,000,

“(hh) in the case of any taxable year beginning after December 31, 2031, and before January 1, 2033, \$675,000,

“(ii) in the case of any taxable year beginning after December 31, 2032, and before January 1, 2034, \$700,000,

“(jj) in the case of any taxable year beginning after December 31, 2033, and before January 1, 2035, \$725,000, and

“(kk) in the case of any taxable year beginning after December 31, 2034, \$750,000.”.

(3) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 41(h)(5)(B) of such Code is amended by striking “each of the

1 \$250,000 amounts” and inserting “the applica-
2 ble amount”.

3 (B) Section 3111(f) of such Code is
4 amended—

5 (i) in paragraph (1)—

6 (I) by striking “(applied without
7 regard to subclause (II) thereof),
8 and” and inserting a period,

9 (II) by striking subparagraph
10 (B), and

11 (III) by striking “for a taxable
12 year” and all that follows through “al-
13 lowed as a credit” and inserting “for
14 a taxable year, there shall be allowed
15 as a credit”,

16 (ii) in paragraph (2)—

17 (I) by striking “paragraph
18 (1)(A)” and inserting “paragraph
19 (1)”, and

20 (II) by striking “, and the credit
21 allowed by paragraph (1)(B) shall not
22 exceed the tax imposed by subsection
23 (b) for any calendar quarter,” and

24 (iii) in paragraph (4)—

1 (I) by striking “credits” and in-
2 serting “credit”, and

3 (II) by striking “or (b)”.

4 (b) EXTENSION OF ELIGIBILITY AND APPLICABILITY
5 OF ELECTION.—

6 (1) STARTUP DATE.—Subclause (II) of section
7 41(h)(3)(A)(i) of the Internal Revenue Code of 1986
8 is amended by striking “5-taxable-year period” and
9 inserting “8-taxable-year period”.

10 (2) EXTENSION OF LIMITATION ON ELEC-
11 TION.—Clause (ii) of section 41(h)(4)(B) of such
12 Code is amended by striking “5 or more” and in-
13 serting “8 or more”.

14 (c) GROSS RECEIPTS TEST.—Clause (i) of section
15 41(h)(3)(A) of the Internal Revenue Code of 1986 is
16 amended—

17 (1) by striking “\$5,000,000” in subclause (I)
18 and inserting “\$15,000,000”, and

19 (2) by striking “gross receipts” in subclause
20 (II) and inserting “gross receipts in excess of
21 \$25,000”.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2024.

1 **SEC. 4. INCREASING ACCESS TO THE RESEARCH CREDIT**
2 **FOR STARTUPS.**

3 (a) IN GENERAL.—Paragraph (4) of section 41(c) of
4 the Internal Revenue Code of 1986 is amended by adding
5 at the end the following new subparagraph:

6 “(D) SPECIAL RULES FOR QUALIFIED
7 SMALL BUSINESSES.—In the case of a qualified
8 small business (as defined in subsection
9 (h)(3))—

10 “(i) subparagraph (A) shall be applied
11 by substituting ‘20 percent’ for ‘14 per-
12 cent’, and

13 “(ii) if subparagraph (B) applies to
14 such taxpayer, at the election of the tax-
15 payer—

16 “(I) subparagraph (B)(ii) shall
17 be applied by substituting ‘10 percent’
18 for ‘6 percent’, or

19 “(II) in lieu of applying subpara-
20 graph (B), the average under sub-
21 paragraph (A) shall be determined by
22 disregarding any taxable year in the
23 3-year period described in such sub-
24 paragraph in which there were no
25 qualified research expenses.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

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