

# Instructions for Form 6765



(Rev. January 2025)

## Credit for Increasing Research Activities

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 6765 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form6765](https://www.irs.gov/Form6765).

### What's New

**Section 280C election.** The reduced credit election under section 280C is now made at the top of the Form 6765 on Item A. Check “Yes” to elect or “No” to not elect the section 280C reduced credit on your original timely filed return, including extensions. See [Item A—Section 280C Election](#), later.

**Members of controlled group or business under common control.** Item B asks if you are a member of a controlled group or business under common control and requires an attachment to Form 6765 if you checked “Yes.” See [Item B—Controlled Group/Common Control](#), later.

**New Section E—Other Information.** If you have reported Qualified Research Expenses (QREs) on line 48, you must complete Section E. See [Section E—Other Information](#), later.

**ASC 730 Directive.** If you are eligible and choose to follow this directive, check “Yes” on line 41. See the instructions for [Line 41](#), later.

**New Section F—Qualified Research Expenses Summary.** In this section, indicate if you are required to complete Section G and enter your total QREs on each applicable line. See [Section G—Business Component Information](#), later.

**New Section G—Business Component Information.** For tax years beginning before 2025, Section G will be optional for all filers. If filing an amended return, see [Research Credit Claims on Amended Returns](#), later.

For tax years beginning after 2024, Section G will be required, subject to the guidelines in [Section G—Business Component Information](#). If filing amended returns, see [Research Credit Claims on Amended Returns](#), later.

**Naming conventions for attachments.** For lines that mention an attachment, use the naming convention described in the Specific Instructions section if you e-file. For example, the naming convention for the attachment for [Item A—Section 280C Election](#) is `Form6765ItemASection280C.pdf`.

### Reminders

**Payroll tax credit.** The maximum amount of payroll tax research credit a small business can apply against payroll tax liability is \$500,000. See [Payroll Tax Credit Election](#), later.

**Research credit claims on amended returns.** If you are claiming a refund or credit on an amended return or an administrative adjustment request (AAR) that includes a section 41 credit for increasing research activities (research credit), you must also provide certain specific information for

your claim to be considered valid. See [Research Credit Claims on Amended Returns](#), later.

**Partners of Bipartisan Budget Act (BBA) Partnership.** See [Partners of BBA Partnership](#), later, for more information about adjustments to credits.

## General Instructions

### Purpose of Form

Use Form 6765 to figure and claim the credit for increasing research activities, to elect the reduced credit under section 280C, and to elect to claim a certain amount of the credit as a payroll tax credit against the employer portion of social security taxes.

Partnerships and S corporations must file this form to claim the credit. All others are generally not required to complete or file this form if their only source for this credit is a partnership, S corporation, estate, or trust. Instead, they can report this credit directly on Form 3800, General Business Credit. However, if you are an estate or trust, the credit can be allocated to beneficiaries. For more details, see the instructions for Schedule K-1 (Form 1041), box 13.

**Note.** Corporations filing an amended return to claim a credit or refund of the research credit, see Notice 2008-39, 2008-13 I.R.B. 684, available at [IRS.gov/irb/2008-13\\_IRB#NOT-2008-39](https://www.irs.gov/irb/2008-13_IRB#NOT-2008-39), for information on where to file.

## Definitions

### Qualified Research

The research credit is generally allowed for expenses paid or incurred for qualified research. “Qualified research” means research for which expenses may be treated as section 174 expenses. This research, often referred to as the “four-part test”, must be undertaken for discovering information that is technological in nature, and its application must be intended for use in developing a new or improved business component of the taxpayer. In addition, substantially all of the activities of the research must be elements of a process of experimentation relating to a new or improved function, performance, reliability, or quality. These tests to determine qualified research must be applied separately with respect to each business component of the taxpayer.

The research must rely on principles of physical or biological sciences, engineering, or computer science. The application must be useful in the development of a new or improved business component of the taxpayer, and substantially all the activities of which constitute the elements of a process of experimentation for a qualifying purpose.

A process of experimentation must be an evaluative process and generally capable of evaluating more than one alternative. To satisfy the process of experiment requirement, a plan involving a series of trials that will test, refine, retest, and analyze the data is required to constitute experimentation in the scientific sense.

Costs of developing a new or improved business component must be for true experimentation in a scientific method or laboratory, so cost of development has to be undertaken to develop, test, and choose among viable alternatives.

**Excluded activities.** The research credit isn't allowed for the following types of activities.

- Research conducted after the beginning of commercial production.
- Research adapting an existing product or process to a particular customer's need.
- Duplication of an existing product or process.
- Surveys or studies.
- Research relating to certain internal-use computer software.
- Research conducted outside the United States or a U.S. territory, such as Puerto Rico.
- Research in the social sciences, arts, or humanities.
- Research funded by another person (or governmental entity).

If you incur qualified clinical testing expenses relating to drugs for certain rare diseases, you can elect to claim the orphan drug credit for these expenses instead of the research credit. See Form 8820, Orphan Drug Credit.

See section 41 and Regulations sections 1.41-2 and 1.41-4 for other definitions and special rules.

## Business Component

A business component is any product, process, computer software, technique, formula, or invention which is to be held for sale, lease, or license, or used by the taxpayer in a trade or business of the taxpayer. Any plant process, machinery, or technique for commercial production of a business component is treated as a separate business component (and not as part of the business component being produced). For purposes of simplified reporting on this form, the options for business component type, for column 49(d), are "Product," "Process," or "All Others."

## Research With Respect to Software

Research with respect to software that is developed by, or for the benefit of, the taxpayer primarily for the taxpayer's internal use, referred to as internal use software, is eligible for the research credit only if:

1. Research with respect to software is qualified research. See [Qualified Research](#), earlier;
2. Research with respect to software is not otherwise excluded, see [Excluded activities](#), earlier; and
3. The software satisfies the high-threshold-of-innovation (HTI) test. Software satisfies the HTI test, if the taxpayer can establish that:
  - a. The software is innovative;
  - b. The software development involves significant economic risk, where the taxpayer commits substantial resources to the development and there is substantial uncertainty, because of technical risk, that those resources would be recovered within a reasonable period; and
  - c. The software is not commercially available for use by the taxpayer in that the software cannot be purchased, leased, or licensed and used for the intended purpose without modifications meeting both a and b requirements.

See Regulations section 1.41-4(c)(6)(vii).

**Internal use software (IUS).** IUS is software developed by, or for the benefit of, the taxpayer primarily for the taxpayer's internal use if the software is developed for use in general and administrative functions that facilitate or support the conduct of the taxpayer's trade or business. General and administrative functions are financial management, human resources management, and support services functions. See Regulations section 1.41-4(c)(6)(iii)(B) for examples of general and administrative functions and Regulations section 1.41-4(c)(6)(viii) for illustrations.

**Dual function software (DFS).** DFS is software developed by, or for the benefit of, the taxpayer both for use in general and administrative functions that facilitate or support the conduct of the taxpayer's trade or business and to enable a taxpayer to interact with third parties or to allow third parties to initiate functions or review data on the taxpayer's system. DFS is generally presumed to be developed primarily for a taxpayer's internal use and is subject to the same requirements as IUS.

The regulations provide a way for the taxpayer to overcome the presumption that the DFS is for the taxpayer's internal use to the extent that a taxpayer can identify a third-party subset, which is the subset of elements of DFS that only enables a taxpayer to interact with third parties or allows third parties to initiate functions or review data on the taxpayer's system. Such a third-party subset is not IUS and not subject to the HTI test. However, the remaining software (dual function subset) is still treated as IUS and must satisfy the HTI test. See Regulations section 1.41-4(c)(6)(vi).

As a safe harbor, a taxpayer may, after identifying the third-party subset, include 25% of any remaining QREs of DFS or a subset of elements of DFS (dual function subset) in computing the amount of the taxpayer's credit. Additional conditions must be met. See Regulations section 1.41-4(c)(6)(iv)(C).

**Excepted from IUS treatment.** See Regulations section 1.41-4(c)(6)(ii) for three exceptions to the applicability of the HTI test for IUS.

**Non-IUS.** Software is not developed primarily for the taxpayer's internal use;

- If it is not developed for the use in general and administrative functions that facilitate or support the conduct of the taxpayer's business, such as software developed to be commercially sold, leased, licensed, or otherwise marketed to third parties; or
- Software developed to enable a taxpayer to interact with third parties or to allow third parties to initiate functions or review data on the taxpayer's system.

When completing Section G, line 49(e), if the business component is software, select only from the following categories.

### A. IUS—internal use software

### B. DFS—dual function software

1. Where no third-party subset is identified, DFS safe harbor isn't applied.
2. Where third-party subset(s) identified (remaining dual function subset subject to HTI test).
3. Where the safe harbor applied (25% of expenses that meet all conditions).

### C. Excepted from IUS treatment

1. Treatment where taxpayer developed software for use in an activity that constitutes qualified research.
2. Treatment where taxpayer developed software for internal use in a production process to which the requirements of section 41(d)(1) are met.
3. Treatment where a new or improved package of software and hardware developed together by the taxpayer as a single product (or to the costs to modify an acquired software and hardware package), of which the software is an integral part, that is used directly by the taxpayer in providing services in its trade or business. In these cases, eligibility for the research credit is to be determined by examining the combined hardware-software product as a single product.

### D. Non-IUS

1. Developed to be commercially sold, leased, licensed, or otherwise marketed to third parties.
2. Developed to be used internally by the taxpayer but not in any general and administrative function(s) of the taxpayer.
3. Developed to interact with third parties but not to be used in any general and administrative function.

**“80%/Top 50” business components.** If you are required to complete Section G, you must report by business component, a minimum of 80% of total QREs or a maximum of 50 business components. This is referred to as the “80%/Top 50” business components in these instructions. Business components should be listed in descending order by QREs amount.

**Aggregate Business Components.** Any business components remaining after identifying the 80%/Top 50 business components will be reported in aggregate by entering “Aggregate Business Components” in column 49(c) and the applicable aggregate amounts for columns 50 through 56; leave all other columns in Section G blank. This will be referred to as the “Aggregate Business Component” in these instructions.

### Eligible Small Business (For Purposes of Offsetting AMT Only)

An eligible small business is:

- A corporation whose stock isn’t publicly traded,
- A partnership, or
- A sole proprietorship.

The average annual gross receipts of the corporation, partnership, or sole proprietorship for the 3-tax-year period preceding the tax year of the credit can’t exceed \$50 million. Gross receipts for any tax year must be reduced by returns and allowances made during the year. Any reference to your business also includes a reference to any predecessor of your business. If your business wasn’t in existence for the entire 3-year period, base your average annual gross receipts on the period your business existed. Also, if your business had a tax year of less than 12 months, your gross receipts must be annualized by multiplying the gross receipts for the short period by 12 and dividing the result by the number of months in the short period.

**Note.** Gross receipts must meet the definition under section 448(c)(2) and (3) and Regulations section 1.448-1T(f)(2)(iv).

**Member of controlled group, business under common control, or affiliated group.** For purposes of the gross

receipts test, all members of a controlled group of corporations (as defined in section 52(a)) and all members of a group of businesses under common control (as defined in section 52(b)) are treated as a single person; and all employees of the members of an affiliated service group (as defined in sections 414(m) and (o)) shall be treated as employed by a single person.

### **Treatment of partners and S corporation**

**shareholders.** A partner or S corporation shareholder can’t be treated as an eligible small business unless both the partnership or S corporation and the partner or S corporation shareholder meet the gross receipts test, as discussed under [Eligible Small Business \(For Purposes of Offsetting AMT Only\)](#), earlier, for the tax year that the credit is treated as a current year general business credit.

### Qualified Small Business (Payroll Tax Credit Election)

A qualified small business is a corporation (including an S corporation) or partnership with:

1. Gross receipts of less than \$5 million for the tax year, and
2. No gross receipts for any tax year before the 5-tax-year period ending with the tax year.

Any other person may be considered a qualified small business if the person meets the requirements of (1) and (2), taking into account the aggregate gross receipts received in all the trades or businesses.

The term “gross receipts” for purposes of determining whether your business is a qualified small business means gross receipts, as determined under section 448(c)(3) (without regard to subparagraph (A) thereof) and Regulations sections 1.448-1T(f)(2)(iii) and (iv). The definition of gross receipts under section 41(c)(6) and Regulations section 1.41-3(c) doesn’t apply for this purpose. Any reference to your trade or business also includes a reference to any predecessor of your trade or business. Also, if your trade or business had a tax year of less than 12 months, your gross receipts must be annualized by multiplying the gross receipts for the short period by 12 and dividing the result by the number of months in the short period.

A qualified small business doesn’t include a tax-exempt organization under section 501.

### Payroll Tax Credit Election

The payroll tax credit election is an annual election made by a qualified small business specifying the amount of research credit, not to exceed \$500,000, that may be used against the employer portion of social security liability. The credit is the smallest of the current year research credit, an elected amount not to exceed \$500,000, or the general business credit carryforward for the tax year (before the application of the payroll tax credit election for the tax year). The general business credit carryforward limitation doesn’t apply to partnerships or S corporations. The election must be made on or before the due date of the originally filed income tax return (including extensions). An election can’t be made for a tax year if an election was made for 5 or more preceding tax years. The election made by a partnership or S corporation is made at the entity level. Any election to take the payroll tax credit may be revoked only with the consent of the IRS. For more information about the payroll tax credit, see Notice 2017-23, 2017-16 I.R.B. 1100, available at [IRS.gov/irb/2017-16\\_IRB#NOT-2017-23](#).



**Claiming the credit on employment tax return.** A qualified small business that elects to claim the payroll tax credit will claim the payroll tax credit against the employer's portion of social security tax on its employment tax return for the first quarter that begins after it files the return reflecting the payroll tax election. See Notice 2017-23 for more information. A qualified small business claiming the payroll tax credit on its employment tax return must complete Form 8974 and attach the completed form to the employment tax return.

## Special Rules

See section 41(f) and Regulations section 1.41-7 for special rules related to:

- Aggregation of expenses for members of controlled groups and businesses under common control;
- Allocation of the credit by partnerships, estates, and trusts;
- Adjustments, if a major portion of a business is acquired or disposed of; and
- Short tax years.

For special rules concerning the allocation and apportionment of research and experimental expenses between U.S. and foreign source income, see sections 861 through 864.

## Member of Controlled Group of Corporations or Group of Trades or Businesses Under Common Control (Controlled Group)

For purposes of figuring the credit, all members of a controlled group of corporations (as defined in section 41(f)(1)(A) and (f)(5)) and all members of a group of trades or businesses under common control (as defined in section 41(f)(1)(B) and Regulations section 1.41-6(a)(3)(ii)) are treated as a single taxpayer. Use Section A or B to figure the credit for the entire group. As a member, your credit is determined on a proportionate basis to your share of the aggregate QREs for increasing research activities taken into account by the group for the research credit.

If a member of a controlled group has filed its return using a method different from that of the designated member, then that member should file an amended return to conform to the designated member's method.

A member of a controlled group can't make an alternative simplified credit (ASC) election in a tax year on an amended return if any member of the controlled group for that tax year previously claimed the research credit using a method other than the ASC on an original or amended return for that year. For additional rules regarding the election (or revocation of the election) of the ASC in Section B by a controlled group of corporations, see Regulations section 1.41-9.

Attach a statement showing how your share of the credit was figured; see [Item B—Controlled Group/Common Control](#), later, for the required Item B attachment categories.

For purposes of the reduced credit election, a member of a controlled group may make the election under section 280C. However, only the common parent (within the meaning of Regulations section 1.1502-77(a)(1)(i)) of a consolidated group may make the election on behalf of the members of a consolidated group.

For purposes of the payroll tax credit election, all members of the same controlled group are treated as a single taxpayer.

Thus, the aggregate gross receipts of all members of such a group must be taken into account in determining whether a business is a qualified small business. See [Qualified Small Business](#), earlier. In addition, a member of such a group may not make a payroll tax credit election if the member (or any other member of the member's group) has made a payroll tax credit election for 5 or more preceding tax years.

Each member of a controlled group separately makes the payroll tax credit election. The amount that each member of the group can separately elect is limited to the least of (a) the electing member's allocable share of the group credit (determined under the rules discussed above); (b) the electing member's allocable share of the \$500,000 amount; or (c) in the case of an electing member other than a partnership or S corporation, the amount of the electing member's business credit carryforward under section 39 carried from the tax year (determined before the application of the payroll tax credit election for the tax year). The \$500,000 amount is allocated to each member of the group, regardless of whether all members of the group make the payroll tax credit election, on a proportionate basis to each member's share of the aggregate of the QREs taken into account for the tax year by the group for purposes of the credit.

---

## Specific Instructions

You can:

- Claim the regular credit in Section A, or
- Elect the alternative simplified credit (ASC) in Section B.

You may want to figure your credit using both of the methods for which you are eligible to get the maximum credit allowed.


Once elected, the ASC applies to the current tax year and all later years. A current tax year's ASC election may not be revoked. You may revoke the election for a later tax year by completing Section A relating to the regular credit and attaching the Form 6765 to your timely filed (including extensions) original return for the year to which the revocation applies. See Regulations section 1.41-9(b)(3).

After figuring your credit, you can elect to treat a portion of the credit as a payroll tax credit. Complete Section D to determine the payroll tax credit portion. Taxpayers other than partnerships and S corporations must complete Form 3800 before completing Section D.

### Item A—Section 280C Election

You must check "Yes" to elect or "No" to not elect the section 280C reduced credit on your original timely filed return, including extensions.

If you are electing the reduced research credit, you must complete Form 6765 (even if no research credits are claimed on the original return). In order for the election to apply, the Form 6765 must be filed with your original timely filed return (including extensions) for the tax year. This election cannot be made or changed on an amended return. Once made, the election is irrevocable for that tax year.

 *By checking "Yes" to elect the reduced research credit when no research credits are claimed on the original return doesn't mean that you are claiming either the regular method or making the ASC election.*

If you don't elect the reduced credit, and if the amount of the credit determined for the taxable year exceeds the

amount allowable as a deduction for QREs or basic research expenses in the tax year, reduce the amount of capitalized expenses by the amount of the excess. Attach a statement to your tax return that lists the capitalized expenses. Identify the schedule or forms for capitalized items on which the reductions were made. If you e-file, name the attachment Form6765ItemASection280C.pdf.

If you make an election to claim a portion of your research credit as a payroll tax credit, the amount elected is treated as a research credit for purposes of the reduced credit.

## Item B—Controlled Group/Common Control

If you are a member of a controlled group or business under common control, complete the required attachment. The attachment reports QREs and additional information needed to compute each group member's credit. If you e-file, name this attachment Form6765ItemBGroupCredit.pdf. The required Item B attachment should include a heading for each line item including:

- Entity EIN,
- Entity Name,
- Common Parent/Designated Member,
- Consolidated Member,
- PBA Code,
- Wages QREs,
- Supplies QREs,
- Rent/Lease Computers QREs,
- Contract Research QREs,
- Total QREs of Controlled Member,
- Percentage of credit,
- Portion of credit (if a section 280C election is made on Item A, record the reduced credit amount on this column),
- The last line needs to include the total QREs of the controlled group, and
- The total credit amount for the controlled group.

Other questions you need to answer on the attachment include:

1. Provide the number of controlled group members this year and provide the number of controlled group members in previous year.
2. For the QREs claimed in the attachment, indicate if they are being claimed as one consolidated controlled group return, or filing separate returns.

**Note.** All members of a controlled group must file to conform to the designated member's method and election.

See Regulations section 1.41-9.

## Section A—Regular Credit

Skip this section and go to Section B if:

1. You are electing the ASC, or
2. You previously elected the ASC and aren't revoking the election on this return.

Enter the amounts you paid or incurred to energy research consortia for energy research. Energy research doesn't include any research that isn't qualified research. In general, an energy research consortium is any organization described in section 501(c)(3), exempt from tax under section 501(a), organized and operated primarily to conduct energy research, and not a private foundation. See section 41(f)(6) for further details.

### Line 1

Any amount included on line 1 can't be included elsewhere on the return.

### Line 2

Enter the amounts the corporation (not to include S corporations, personal holding companies, and service organizations) paid in cash, under a written contract, for basic research to a qualified university, scientific research organization, scientific tax-exempt organization, or grant organization. See section 41(e) for details, including the definitions of qualified organizations.

### Line 3

Enter the qualified organization base period amount based on minimum basic research amounts plus maintenance-of-effort amounts for the 3 preceding tax years. See section 41(e) for details.

### Line 5

Enter your total QREs calculated from Section F, line 48. See [Line 48](#), later. If you are a member of a controlled group, enter the group total QREs even if you are filing a separate tax return. This amount must be computed and shown on the required group credit attachment (see instructions for this attachment under Item B, earlier). Refer to instructions for Section F and Section G for reporting QREs by group members that file separate tax returns.

### Line 6

The fixed-base percentage depends on whether you are an existing company or a start-up company.

Group members filing separate tax returns enter the fixed base percentage computed for the entire group.

A start-up company is a taxpayer that had both gross receipts and QREs either:

- For the first time in a tax year beginning after 1983, or
- For fewer than 3 tax years beginning after 1983 and before 1989.

The fixed-base percentage for a start-up company is figured as follows.

- For the first 5 tax years beginning after 1993 for which you have QREs, the percentage is 3%.
- For the 6th tax year beginning after 1993 for which you have QREs, divide the aggregate QREs for the 4th and 5th such tax years by the aggregate gross receipts for those tax years, then divide the result by 6.
- For the 7th tax year beginning after 1993 for which you have QREs, divide the aggregate QREs for the 5th and 6th such tax years by the aggregate gross receipts for those tax years, then divide the result by 3.
- For the 8th tax year beginning after 1993 for which you have QREs, divide the aggregate QREs for the 5th, 6th, and 7th such tax years by the aggregate gross receipts for those tax years, then divide the result by 2.
- For the 9th tax year beginning after 1993 for which you have QREs, divide the aggregate QREs for the 5th, 6th, 7th, and 8th such tax years by the aggregate gross receipts for those tax years, then divide the result by 1.5.
- For the 10th tax year beginning after 1993 for which you have QREs, divide the aggregate QREs for the 5th through 9th such tax years by the aggregate gross receipts for those tax years, then divide the result by 1.2.

- For the 11th and later tax years beginning after 1993 for which you have QREs, divide the aggregate QREs for any 5 of the 5th through 10th such tax years by the aggregate gross receipts for those tax years.

The fixed-base percentage for an existing company (any company that isn't a start-up company) is figured by dividing the aggregate QREs for the tax years beginning after 1983 and before 1989 by the aggregate gross receipts for those tax years.

The fixed-base percentage for all companies (existing and start-up) must be rounded to the nearest 1/100th of 1% (that is, four decimal places) and can't exceed 16%. In addition, when figuring your fixed-base percentage, you must reflect expenses for qualified research conducted in U.S. territory, such as Puerto Rico, for all prior tax years included in the computation.

If short tax years are involved, see Regulations section 1.41-3(b).



*Reduce gross receipts by returns and allowances. For a foreign corporation, include only gross receipts that are effectively connected with a trade or business in the United States (or in a U.S. territory, such as Puerto Rico, if applicable).*

### Line 7

Enter the average annual gross receipts (reduced by returns and allowances) for the 4 tax years preceding the tax year for which the credit is being determined. You may be required to annualize gross receipts for any short tax year.

For a foreign corporation, include only gross receipts that are effectively connected with a trade or business in the United States (or in a U.S. territory, such as Puerto Rico, if applicable). Group members filing separate tax returns enter the average annual gross receipts computed for the entire group.

For a tax year that the credit terminates, the average annual gross receipts for the 4 tax years preceding the termination tax year are prorated for the number of days the credit applied, during the tax year.

### Line 13

If you elected to reduce the credit under section 280C at the top of the Form 6765, Item A, then multiply line 12 by 15.8% (0.158). If not, multiply line 12 by 20% (0.20). If you are a member of a controlled group enter your share of the credit. This amount must be computed and shown on the required group credit attachment. For attachment reporting requirements under Item B, see [Item B—Controlled Group/Common Control](#), earlier. For details refer to [Section G—Business Component Information](#) for reporting QREs by group members that file separate tax returns under Section F and Section G.

If you don't elect the reduced credit, and if the amount of the credit determined for the tax year exceeds the amount allowable as a deduction for such tax year for QREs or basic research expenses, reduce the amount chargeable to capital account for the tax year for such expenses by the amount of the excess. Attach a statement to your tax return that lists the capitalized expenses that were reduced. Identify the schedule or forms for capitalized items on which the reductions were made.

If you make an election to claim a portion of your research credit as a payroll tax credit, the amount elected is treated as a research credit for purposes of the reduced credit.

## Section B—Alternative Simplified Credit (ASC)

Complete this section only if, instead of the regular credit:

1. You are electing the ASC, or
2. You previously elected the ASC and aren't revoking the election on this return.

**Electing the ASC.** You elect the ASC by completing Section B and attaching the completed Form 6765 to your timely filed (including extensions) original return for the tax year the election applies. An ASC election can be made on an amended return for a tax year only if you hadn't previously claimed the research credit on an original return or amended return for that tax year. An extension of time to make the ASC election will not be granted.

Group members filing separate tax returns enter the average annual gross receipts computed for the entire group.

### Line 20

Enter your total QREs calculated from Section F, line 48. If you are a member of a controlled group, enter the group total QREs even if you are filing a separate tax return. This amount must be computed and shown on the required group credit attachment. See instructions for this attachment under [Item B—Controlled Group/Common Control](#), earlier).

Refer to [Section F—Qualified Research Expenses Summary](#) and [Section G—Business Component Information](#), for reporting QREs by group members that file separate tax returns.

### Line 21

Enter your qualified research expenses for the prior 3 tax years. If the credit terminates during the tax year, prorate the QREs for the prior 3 tax years for the number of days the credit applied during the tax year.

If you are a member of a controlled group, enter the total amount of the group's QREs for the prior 3 years.

### Line 26

If you elected to reduce the credit under section 280C at the top of the Form 6765, Item A, then multiply line 25 by 79% (0.79). If not, enter the amount from line 25 and see the line 13 instructions for the statement that must be attached. If you are a member of a controlled group, enter your share of the credit. This amount must be computed and shown on the required group credit attachment. For attachments reporting requirements under Item B. See [Item B—Controlled Group/Common Control](#), earlier. Refer to [Section G—Business Component Information](#) for reporting QREs by group members that file separate tax returns under Section F and Section

## Section C—Current Year Credit

### Line 27

If the credit on line 13 or 26 (whichever applies) includes amounts paid to employees as wages, and you are claiming a credit for employer differential wage payments based on payments you made to the same employees, enter on line 27 the portion of the credit from Form 8932, line 2, that is



attributable to wages that were used to figure the credit on line 13 or 26 (whichever applies).

See Form 8932, Credit for Employer Differential Wage Payments, for more information on the credit.

**Line 29**

Enter the total credit for increasing research activities from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code M);
- Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code M); and
- Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc., box 13 (code I).

Partnerships and S corporations report the above credits on line 29. Also, estates and trusts that can allocate the source credit to beneficiaries report the above credits on line 29. All other filers figuring a separate credit on earlier lines also report the above credits on line 29. All others not using earlier lines to figure a separate credit can report the above credits directly on Form 3800, Part III, as follows.

- Eligible small businesses, report the credit on line 4i. See the definition of [Eligible Small Business \(For Purposes of Offsetting AMT Only\)](#), earlier. Also see [Treatment of partners and S corporation shareholders](#), earlier.
- All others, report the credit on line 1c.

**Line 31**

**Estates and trusts.** Allocate the credit for increasing research activities on line 30 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 31.

If the estate or trust is subject to the passive activity rules, include on line 29 any credit for increasing research from passive activities disallowed for prior years and carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

**Section D—Qualified Small Business Payroll Tax Election and Payroll Tax Credit**

Complete this section only if you are making the payroll tax election. Before completing this section, you must complete Form 3800 if you are a qualified small business other than a partnership or an S corporation.

**Line 33a**

Check the box on line 33a if you are a qualified small business electing to claim a certain portion of your research credit as a payroll tax credit. See [Qualified Small Business \(Payroll Tax Credit Election\)](#), earlier.

**Line 33b**

Check the box if payroll tax is reported for a different EIN.

**Line 34**

Enter the portion of your research credit, figured on line 28, that you are claiming as a payroll tax credit. Don't enter more than \$500,000.

**Line 35**

Use the worksheet to figure the general business credit carryforward for the current year.

**Line 36**

Enter the amount from line 36 on the applicable line of Form 8974, Part 1, column (e), Qualified Small Business Payroll Tax Credit for Increasing Research Activities. Use Form 8974 to figure the amount to be applied to your payroll taxes.

A qualified small business claiming a portion of the research credit as a payroll tax credit must adjust the research credit carryforward for the payroll tax credit claimed.

**Section E—Other Information**

Complete this section to provide additional details or information about the total QREs reported in Section F.

**Line 37**

Enter the total number of business components generating the QREs shown on line 48, not just the limited number of business components you may be reporting in Section G.

The four-part test must be applied separately to each business component. See section 41(d)(2)(A) for an explanation of the business components test.

**Line 38**

Enter the total amount of all officer wages included in the amounts shown on line 42, if the amount shown on line 42 as wages for qualified services includes wage amounts attributable to any officer of the reporting entity. The corporation determines who is an officer under the laws of the state where it is incorporated. When corporate officers perform services for the corporation and receive or are entitled to receive payments, their compensation is generally considered wages. The fact that an officer is also a shareholder does not change this reporting requirement.

**Line 39**

Check "Yes," if any QREs reported on line 48 are related to an acquisition or disposition made during the current tax year. See [Special Rules](#), earlier, regarding consistency requirements. Otherwise, check "No".

**Line 40**

Check "Yes," if you identified any new categories of expenses included in line 48. Otherwise, check "No". If you include any

**Worksheet for Figuring General Business Credit Carryforward**

*Keep for Your Records*



1.	Enter the sum of the following lines from Form 3800, Part I, line 6, and Part II, line 25 and line 36	_____
2.	Enter the amount from Form 3800, Part II, line 38	_____
3.	Subtract line 2 from line 1	_____
4.	Enter the amount from Form 3800, Part I, line 5, and Part II, line 35	_____
5.	Current year general business credit carryforward. Subtract line 4 from line 3. If zero or less, enter -0-	_____

new categories or recharacterized any categories of expenses in the current year compared to the base year(s), those expenses must be included and adjusted in any of the base years when computing the credit. See [Special Rules](#), earlier, regarding requirements.

### Line 41

Check "Yes" if any of the QREs on line 48 are following the ASC 730 Directive. The ASC 730 Directive only applies to the following taxpayers.

- A. Assets equal to or greater than \$10 million, and
- B. Follows U.S. GAAP to prepare their Certified Audited Financial Statements (CAFS), showing the amount of current Research and Development expenses either as:

1. A separate line item on the income statement included in their CAFS, or
2. Separately stated in a note to their CAFS.

In addition, the ASC 730 Directive does not apply to any taxpayer unless the taxpayer uses these same U.S. GAAP financial statements to reconcile book income to Federal tax income on Schedule M-3. If you check "Yes," enter the amount from [ASC 730 Directive](#), Appendix C, line 19, on line 41, then see [ASC 730 Directive Single Entry for Section G](#), later, for the single ASC 730 entry you will report for the line 41 amount. Any other amounts on the ASC 730 Directive Appendix B, column B or C, are excluded from the special instructions for the single ASC 730 entry in Section G. You may attach ASC 730 Directive Appendices A, B, C, and D to your return using the following file naming conventions.

- Form6765ASC730AppendixA.pdf
- Form6765ASC730AppendixB.pdf
- Form6765ASC730AppendixC.pdf
- Form6765ASC730AppendixD.pdf

See the [ASC 730 LB&I Directive & FAQs](#) for more information and the associated appendices mentioned above.

## Section F—Qualified Research Expenses Summary

Before completing Section F complete Section G first (unless you are not required to complete Section G). See [Requirements To Complete Section G](#), later, to determine your requirement.

Report your QREs on each applicable line. Group members filing separate tax returns report only your QREs, and not the combined group amount of QREs, for each applicable line in this section.

### Line 42

If you completed Section G, enter the total amount from all entries for column 53. Otherwise, enter your total in-house wages for qualified services for all business components (do not include any wages used in figuring the work opportunity credit). Group members filing separate tax returns, report only your qualified wages expense and not the combined group amount of qualified wages.

### Line 43

If you completed Section G, enter the total amount from column 54. Otherwise, enter your total supplies for all business components. Group members filing separate tax returns, report only your qualified supplies expense and not the combined group amount of QREs for cost of supplies.

### Line 44

If you completed Section G, enter the total amount from column 55. Otherwise, enter the amount you paid or incurred for the rental or lease of computers used in qualified research. The computers must be located off your premises, and you must not be the operator or primary user of the computers. Reduce this amount by the amount that you (or any member of a controlled group of corporations or businesses under common control) received or accrued for the right to use substantially identical property. Group members filing separate tax returns, report only your qualified rental or lease cost of computers and not the combined group amount of QREs for rental or lease cost of computers.

### Line 45

If you completed Section G, enter the total amount from column 56. Group members filing separate tax returns report only your applicable amount of contract research expenses and not the combined group amount of QREs for contract research expenses.

Enter the amounts you paid or incurred, subject to the following limitations.

- 100% of amounts you paid (or incurred) for qualified energy research performed by an eligible small business, a university, or a federal laboratory. See section 41(b)(3)(D) for definitions of those entities. Do not include payments to those same entities to the extent they are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.
- 75% of amounts you paid (or incurred) for qualified research by a qualified research consortium (as defined by section 41(b)(3)(C)(ii)). Do not include 75% of the payments to a qualified research consortium to the extent they are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.
- 65% of amounts you paid (or incurred) for all other qualified research by any other person. Do not include 65% of the payments to the person to the extent they are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.

**Note.** Prepaid contract research expenses are considered paid in the year the research is actually done.

### Line 46

Enter basic research payments from line 2 to the extent such payments do not exceed the base period amount on line 3. Group members filing separate tax returns report only the amount for your share of basic research payments and not the combined group total. See section 41(e) for more information.

- Include 100% of the payments to an eligible small business, a university, or a federal laboratory, that are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16. See section 41(b)(3)(D) for definitions of those entities.
- Include 75% of the payments to a qualified research consortium that are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.
- Include 65% of the payments paid (or incurred) for all other qualified research by any other person included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.



## Line 48

After completing Section F, all filers will enter the total from line 48 on line 5 or line 20, as applicable.

## Section G—Business Component Information

If you are required to complete Section G, the totals from Section G will be entered into the applicable lines of Section F and then you will complete line 46, if applicable. If you are not required to complete Section G, you will complete all applicable lines of Section F.

**For tax years beginning before 2025.** Section G will be optional for all filers for tax years beginning before 2025. If you are filing an amended return, refer to [Research Credit Claims on Amended Returns](#).

**For tax years beginning after 2024.** Section G will be required for tax years beginning after 2024. See [How To Complete Section G](#), for more information.

### Requirements To Complete Section G

Section G is required unless:

- You are a Qualified Small Business, as defined under section 41(h)(1) and (2), and you checked the box to claim a reduced payroll tax credit; or
- Your total QREs on line 48 are equal to or less than \$1.5 million, determined at the control group level, and your gross receipts are equal to or less than \$50 million of gross receipts, as determined under section 448(c)(3) (without regard to subparagraph (A) thereof), reporting a research credit on an original filed return.

### How To Complete Section G

If you are required to complete Section G, you must complete all information in columns 49(a)–(f), 50, 51, 52, 53, 54, 55, and 56 (unless otherwise noted) for at least 80% of your total QREs by business component, but report no more than 50 business components (“80%/Top 50”). Each business component representing the 80%/Top 50 must be listed in descending order by the total QREs per business component. The 80%/Top 50 business components should be determined at the controlled group level unless noted below.

Any business components remaining after identifying the 80%/Top 50 business components will be reported in aggregate by entering “Aggregate BCs” in column 49(c) and the applicable aggregate amounts for columns 50 through 56. Leave all other columns in Section G blank. See the details for what to put in each column, later.

**Note.** Currently, column 49(f) of Section G only applies if you are filing an amended return. Refer to [Research Credit Claims on Amended Returns](#).

If you are a member of a controlled group and file separate tax returns and you are required to complete Section G you must report at least 80% of your total QREs (not the group’s total QREs) by business component, but report no more than 50 of your business components. Report any remaining business components in aggregate by entering “Aggregate BCs” in column 49(c) and the applicable aggregate amounts for columns 50 through 56, leave all other columns in Section G blank.

Do not count the ASC 730 single entry as one of the 80%/Top 50 business components. See [ASC 730 Directive](#)

[Single Entry for Section G](#), later. If the ASC 730 single entry is at least 80% of your total QREs reported on line 48, you do not have to report any additional business components. Otherwise, you must report additional business components to meet the 80%/Top 50 business component requirement. Any business components remaining after identifying the 80%/Top 50 business components will be reported in aggregate by entering “Aggregate BCs” in column 49(c) and the applicable aggregate amounts for columns 50 through 56. Leave all other columns in Section G blank.

If you do not e-file and you have more than 15 business components, report for your 80%/Top 50, attach additional sheets of Section G and provide the sum of the additional sheets in the “Total from Attachments” line where noted, to compute your total QREs that will be reported on lines 42, 43, 44, and 45. Any business components remaining after identifying the 80%/Top 50 business components will be reported in aggregate by entering “Aggregate BCs” in column 49(c) and the applicable aggregate amounts for columns 50 through 56. Leave all other columns in Section G blank.

### ASC 730 Directive Single Entry for Section G

If you checked “Yes” on line 41, you will make a single entry in Section G for the amount reported on line 41; in column 49(c), enter “ASC 730 Directive,” then enter the applicable amounts from ASC 730 Directive Appendix B (column A only) in columns 53, 54, 55, and 56. The total of these columns must equal the amount on line 41. No other columns in Section G are required for the “ASC 730 Directive” single entry. If the “ASC 730 Directive” single entry is at least 80% of your total QREs reported on line 48, you do not have to report any additional business components. Otherwise, you must report additional business components to meet the 80%/Top 50 business component requirement. Any business components remaining after identifying the 80%/Top 50 business components will be reported in aggregate by entering “Aggregate BCs” in column 49(c) and the applicable aggregate amounts for columns 50 through 56. Leave all other columns in Section G blank.

### Statistical Sampling

When permitted by the IRS, taxpayers may use statistical sampling procedures to support items on their income tax returns, provided that the sampling methodology complies with Rev. Proc. 2011-42, 2011-37 I.R.B. 318. The filing and acceptance by the IRS of your Form 6765 does not constitute acceptance by the IRS of your statistical sample as adequate substantiation for a return position.

If you used a statistical sampling methodology in accordance with Rev. Proc. 2011-42 to determine QREs, you must report the 80%/Top 50 business components as explained above. See [How To Complete Section G](#), irrespective of which business components were used for your statistical sample. You are required to maintain any records required by Regulations section 1.41-4(d) and section 6001.

As explained earlier, any business components not reported as part of the 80%/Top 50 will be reported in aggregate by entering “Aggregate BCs” in column 49(c) and the applicable aggregate amounts for columns 50 through 56. Leave the entries on that line for columns 49(a), 49(b), 49(d), 49(e), and 49(f) blank.

For column 49(c), add the word “sample” to the end of the business component name or identifier for any that are

among your selected samples and attach your statistical sampling plan. Name the attachment Form6765StatSamplePlan.pdf.

## Section G—Columns 49(a)–(f)

Fill in each column of 49(a)–(f) as directed.

**Column 49(a).** Enter the EIN for the entity associated with this business component and conducting the research activities.

**Column 49(b).** Enter the principal business activity (PBA) code that best describes the activities of the entity listed in column 49(a). See Instructions for Form 1120 for the list of PBA codes.

**Column 49(c).** Enter the 80%/Top 50 business component's name or unique alphanumeric identifier. This field should be populated with an identifier that is consistent with how you maintain the books and records that substantiate the qualified research activities and associated QREs.

**Column 49(d).** Enter the appropriate business component type for each business component; select from the following options only.

1. Product.
2. Process.
3. All Others (includes computer software, technique, formula, or invention).

See [Business Component](#), earlier, for the definition of a business component.

**Column 49(e).** If the business component is software, enter in this column the software type by selecting from the following options only. See [Research with Respect to Software](#) for detailed explanations of each option.

- A. IUS—internal use software.
- B. DFS—dual function software.
- C. Non-IUS.
- D. Excepted from IUS treatment.

**Column 49(f).** Currently, column 49(f) is required if you are claiming a refund or credit on an amended return that includes a section 41 credit for increasing research activities that either (a) was not reported on your original filed return or (b) is increased from the amount reported on your original return. It is not required for timely filed original returns including extensions. Provide the information as shown in Section G for each business component to which the research credit claim relates for that year.

See [IRS sets forth required information for a valid research credit claim for refund](#) and refer to [IRS News Release](#) for additional details and updates.



*You are not required to complete column 49(f) for timely filed original tax returns including extensions.*

## Section G—Columns 50–56

Complete each column of 50–56 as directed.

**Column 50.** Enter the total amount of in-house wages incurred by persons engaged in the actual conduct of qualified research activities (as in the case of a scientist conducting laboratory experiments) for each of the 80%/Top 50 and the aggregate business components.

**Column 51.** Enter the total amount of in-house wage QREs incurred by persons engaged in direct supervision of

qualified research activities for each 80%/Top 50 and the aggregate business components. The term direct supervision means immediate supervision (first-line management) of qualified research (as in the case of a research scientist who directly supervises laboratory experiments, but who may not actually perform experiments). Direct supervision does not include supervision by a higher-level manager to whom first-line managers report, even if that manager is a qualified research scientist.

**Column 52.** Enter the total amount of in-house wage QREs incurred by persons engaged in direct support of qualified research activities for each 80%/Top 50 and the aggregate business components.

For example, direct support of research includes services of a laboratory worker for cleaning equipment used in qualified research, or a clerk for compiling research data.

Direct support of research activities does not include general administrative services, or other services only indirectly of benefit to research activities. For example, services of payroll personnel in preparing salary checks of laboratory scientists, or of officers engaged in supervising financial or personnel matters do not qualify as direct support of research.

**Column 53.** Total columns 50, 51, and 52 for each business component you are required to report and enter the amount in column 53. Show the total qualified wages and report this amount on Section F, line 42.

**Column 54.** Enter the total cost of supplies used in the conduct of qualified research for each business component. Refer to [How To Complete Section G](#). Show the total of the cost of supplies used for qualified services and report this amount on Section F, line 43.

**Column 55.** Enter the total amount you paid or incurred for the rental or lease of computers in the conduct of qualified research for each business component. Refer to [How To Complete Section G](#)

The computers must be located off your premises, and you must not be the operator or primary user of the computers. Reduce this amount by the amount that you (or any member of a controlled group of corporations or businesses under common control) received or accrued for the right to use substantially identical property.

Show the total of rental or lease cost of computers used for qualified services and report this amount on Section F, line 44.

**Column 56.** Enter the total applicable amount of contract research expenses for qualified services for each business component. Refer to [How To Complete Section G](#). Basic research payments will be separately reported on line 46.

Enter the amounts you paid or incurred, subject to the following limitations, for each business component.

- 100% of amounts you paid (or incurred) for qualified energy research performed by an eligible small business, a university, or a federal laboratory. See section 41(b)(3)(D) for definitions of those entities. Do not include payments to those same entities to the extent they are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.
- 75% of amounts you paid (or incurred) for qualified research by a qualified research consortium (as defined by section 41(b)(3)(C)(ii)). Do not include 75% of the payments to a qualified research consortium to the extent they are

included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.

- 65% of amounts you paid (or incurred) for all other qualified research by any other person. Do not include 65% of the payments to the person to the extent they are included as basic research payments on line 2 or line 15, not to exceed the base period amount on line 3 or line 16.

**Note.** Prepaid contract research expenses are considered paid in the year the research is actually done. Show the total of contract research expenses used for qualified services and report this amount on Section F, line 45.

## Research Credit Claims on Amended Returns

If you are claiming a refund or credit on an amended return or an AAR (as applicable) that includes a section 41 credit for increasing research activities that either (a) was not reported on your original filed return or (b) is increased from the amount reported on your original return, follow the required information for a valid research credit claim for refund procedures as outlined on [IRS.gov](http://IRS.gov). If you e-file, name this attachment Form6765ClaimInformation.pdf. If you submit a

credit study or other documents, please identify the exact pages that contain the information described above. If you e-file, name this attachment Form6765Study.pdf.

See [IRS sets forth required information for a valid research credit claim for refund](#), for more information and refer to [IRS News Release](#), for additional details and updates.

BBA Partnerships must also submit Forms 8985 and 8986 to the IRS and send Forms 8986 to their partners. BBA Partnerships do not need to provide the five items of information on the Forms 8985 and Forms 8986 where the five items of information are included with the Form 6765 attached to the BBA Partnership's AAR.

**Partners of BBA Partnership.** BBA Partnerships may not file an amended return; they must instead file an AAR to change any partnership-related items for any previously filed partnership tax returns. If you are a partner of a BBA Partnership and filing a return that includes a research credit reported on the BBA Partnership's AAR, you may, but are not required to, include the five items of information with your return to which your Form 8978 is attached if the BBA Partnership has provided the information to you with their AAR.

---

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

<b>Recordkeeping</b> . . . . .	10 hr., 31 min.
<b>Learning about the law or the form</b> . . . . .	2 hr., 25 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	5 hr., 6 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

---