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Agricultural R&D Tax Credits

Life after *George v. Commissioner*

July 23, 2026



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Today's Presenters



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Learning Objectives



Recognize what qualifies in agriculture for R&D credit purposes



Review the impact of recent IRS and tax court rulings

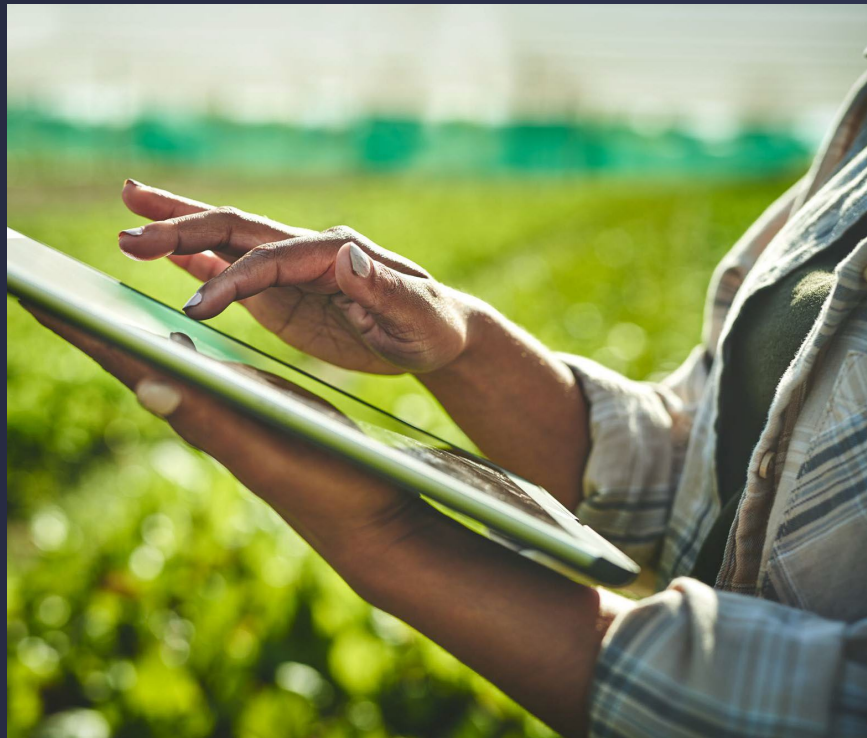


Identify credit-eligible expenses



Agenda

- R&D tax credit basics
- *George v. Commissioner* — how the Tax Court “cracked” the egg
- How to get started?





Overview

- Dollar-for-dollar reduction in taxes due
- Net federal benefit is typically 7% to 10% of all qualifying costs
- Credit can be carried back one year or forward 20 years
- Federal payroll tax offset
- State credits (refundable in some states)
- Documentation is critical to support the credit upon potential audit



Qualified Research: Four-Part Test

Permitted purpose

Activities must relate to the **function, performance, reliability, or quality** of a business component

A **business component** can be a product, process, technique, formula or software

Technological in nature

Activities must rely on principles of **hard science**, such as:

- Biological, physical sciences
- Engineering
- Computer science/data science

Elimination of technical uncertainty

Activities must be intended to **eliminate technical uncertainty** relating to **capability, methodology, or strategic design** of the business component

Process of experimentation

Activities must constitute **elements of a process of experimentation**, which may involve:

- Developing one or more hypotheses/alternatives
- Testing, analyzing, and refining the hypotheses/alternatives



Qualified Research Expenses (QREs)

Four expense categories are used to compute the credit:



Wages

Performing, supporting,
or supervising
qualified research



Contract research

Amounts paid to
contractors/consultants
for R&D
(subject to 35% reduction)



Leased computing

Cloud computing
expenses such as AWS,
Azure, etc.



Supplies

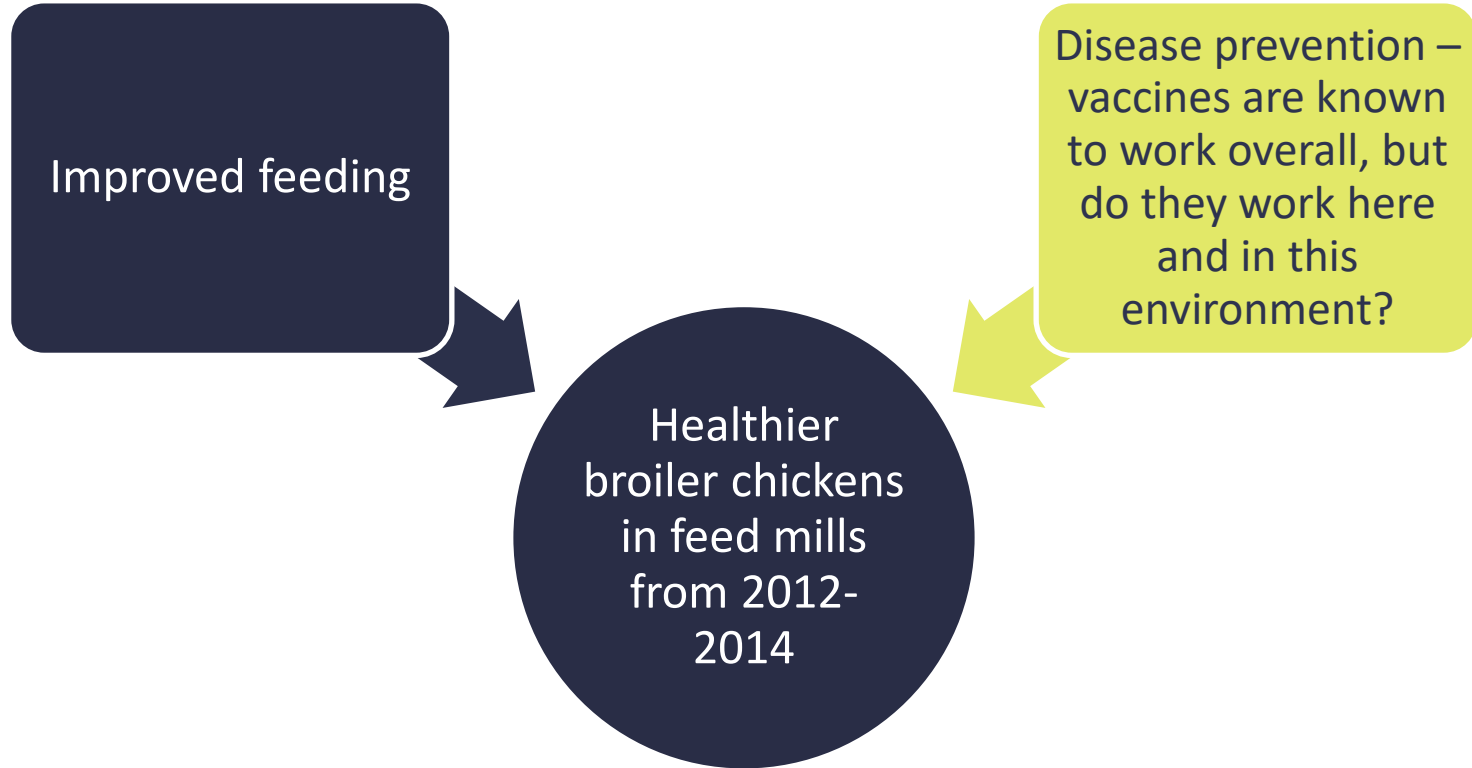
Materials/supplies,
prototypes, tooling costs



Agriculture and R&D – Pre *George*



George – A Summary



George – Favorable Results



Production environments can qualify



Supplies can be the largest and only driver of qualifying costs



Experimentation methodologies may remain similar from year to year – important to know the variances or anticipated timeline of a “trial” or “first run”



Healthier product can be a “prototype”

- Product vs. process considerations
- Extent of input costs that can be considered QREs



George – Cautionary Items

Documentation, documentation,
documentation!

Accurate computation of
base periods

Entity
structure



Court Cases To Keep in Mind



George v. Commissioner

Opened the door to a broader look for the agriculture industry

Legal entity structure

Controlled environment

DOCUMENTATION is CRUCIAL!



Union Carbide

Supply costs – inherently facilitative vs. paid or incurred for research use only

Product vs. process determinations

DOCUMENTATION is CRUCIAL!



Boswell Co. v. Commissioner

Not yet settled – will have implications on supply cost eligibility and product v. process determinations

DOCUMENTATION is CRUCIAL!

How To Get Started?

Brainstorm/identify activities

Determine cost mapping methodology

- General ledger detail
- Cost per acre?
- Cost for a specific trial?

Review contemporaneous documentation

- Nexus – correlation with the trial
- Completeness

Compute and claim!



Examples of Potentially Eligible Activities

Step-change animal genetics
(indexing, IVF, ultrasounds)

Step-change seed genetics
tied to measurable
improvement (not routine
annual variety swaps)

Well-designed
feed/medication/vaccination
trials with documented
uncertainties

Disease mitigation and
prevention practices

Process changes – drone vs.
ground spray; nitrogen
and/or carbon capture; row
spacing



Potential Landmines/Areas To Avoid

Grant funded

General seed
variety swaps

Seed-company
test plot
agreements with
aggressive IP/data
assignment to
outside parties
(funded)

Vendor-
customization
time bundled into
equipment/subscri
ption pricing

Following
scripts/recipes and
not owning the
underlying
lineage/brand



Questions To Be Answered



What is the overall goal of the research?

New variety/type/quality? Better yield? Cost savings?



What was something tried that was uncertain if it would work?



What documentation is available?



How is the information obtained during the research process leveraged to further better the product or process?

Product vs. Process

Product – input costs

- Stronger stock
- More disease resistant
- Better yield

Process – time and incremental costs

- Cost efficiencies only
- Plant depth
- Method of spraying



Cost Mapping

Costs by project:

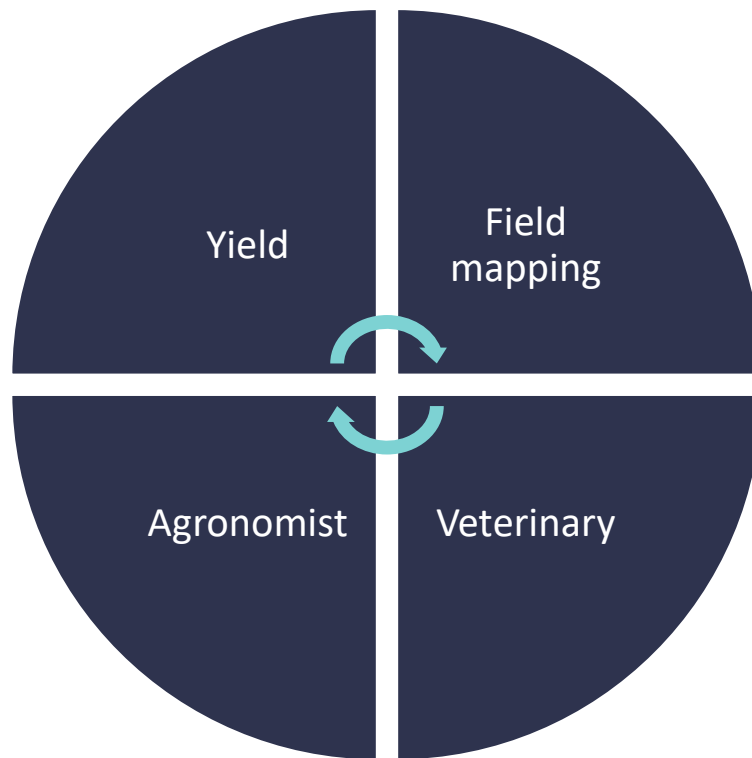
- Internal labor (if deemed to be material enough to consider)
 - W-2 and certain owners
 - Hourly or percentage allocations of time spent on R&D activities
- External contractors (e.g. agronomists, nutritionists, veterinarians)
 - Ledger mapping
 - General details – potentially contracts/invoices for terms
- Input costs (seed, fertilizer, chemicals, feed, medications, vaccines)
 - Ledger mapping
 - Standard costs and any additional costs incurred for trials (product vs. process designation)



Entity structure
– control groups
– who pays for what? Any funded research?



Documentation Review



Calculate and Claim!



Determine if any control group calculations need to be conducted



Compile all qualifying expenses by entity



Compare against:

- Three prior years – base period
- Gross receipts
- Take a reduced credit amount by analyzing only current year



Credit is calculated



Determine if any state credits are available and calculate



Incorporate within the tax return original or amended filing



Q&A



Thank you!

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