

The four-part test checklist

Answer these questions for one project at a time. Every answer must be yes for the project to qualify for the federal R&D tax credit (IRC Section 41).

Test 1: Permitted purpose

The work aims at a new or improved business component.

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|--|-----|----|
| <input type="checkbox"/> Were you creating a new product, process, or piece of software, or improving one? | YES | NO |
| <input type="checkbox"/> Was the goal better function, performance, reliability, or quality? | YES | NO |
| <input type="checkbox"/> Can you name the specific product, feature, or system the work relates to? | YES | NO |

Test 2: Technological in nature

The work relies on hard science.

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|---|-----|----|
| <input type="checkbox"/> Did the work rely on computer science, engineering, or another hard science? | YES | NO |
| <input type="checkbox"/> Would someone need technical knowledge in that field to do the work? | YES | NO |

Test 3: Elimination of uncertainty

You did not know the outcome at the start.

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|---|-----|----|
| <input type="checkbox"/> At the start, were you unsure you could build it, how to build it, or what the right design was? | YES | NO |
| <input type="checkbox"/> Was the answer unavailable in public information, documentation, or off-the-shelf tools? | YES | NO |

Test 4: Process of experimentation

You evaluated alternatives in a systematic way.

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|---|-----|----|
| <input type="checkbox"/> Did you consider more than one way to solve the problem? | YES | NO |
| <input type="checkbox"/> Did you test, model, simulate, or systematically try and discard alternatives? | YES | NO |
| <input type="checkbox"/> Can you point to records of that process, like pull requests, design docs, or experiment logs? | YES | NO |
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How to read your answers

All boxes checked: the project likely qualifies. Document it now, while the work is fresh.

Any box unchecked: talk the project through with your CPA before you claim it.