

Interim Guidance and Request for Comments: Election by Qualified Small Business to Claim Payroll Tax Credit for Increasing Research Activities

Notice 2017-23

SECTION 1. PURPOSE

The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) are developing guidance to implement the payroll tax credit election available to certain small businesses under § 41(h) of the Internal Revenue Code (Code) to claim the payroll tax credit under § 3111(f) of the Code. Sections 41(h) and 3111(f) allow a qualified small business to elect to apply a portion of the § 41(a) research credit for the taxable year against the employer portion of the old-age, survivors, and disability insurance tax (social security tax) under the Federal Insurance Contributions Act. Sections 41(h) and 3111(f) are effective for taxable years beginning after December 31, 2015. For purposes of this notice, the term “research credit” refers to the credit under § 41(a) against income tax liability, the term “payroll tax credit” refers to the credit under § 3111(f)(1) against liability for the employer portion of social security tax, and the term “payroll tax credit election” refers to the election available under § 41(h) to claim the payroll tax credit.