

June 2024 Issue

Law to Repeal Onerous Amortization Rules



New legislation that seeks to permanently restore the immediate expensing of R&D costs has hit a wall in the U.S. Senate.

H.R. 7024, also known as the "Tax Relief for American Families and Workers Act of 2024," was introduced in the House of Representatives in March 2023. The bill seeks to restore the immediate expensing of R&D costs and make this provision permanent. The bill was passed

by the House of Representatives on January 31, 2024.

However, opposition in the Senate to the expansion of the Child Tax Credits (which was added to this bill), and election year political wrangling, makes it unlikely that the updated amortization rules will be repealed by this Congress.

The new Section 174 amortization rules, which took effect on January 1, 2022, require businesses to amortize their research and development (R&D) expenses over five years (or 15 years for foreign research expenses) instead of deducting them immediately in the year they were incurred. This change was introduced as part of the Tax Cuts and Jobs Act of 2017.

The impact of these rules on businesses is significant, as they have increased the after-tax cost of R&D investments and reduced cash flow for companies that heavily invest in research and development. This has led to concerns that the rules could discourage investment in innovation and negatively impact the competitiveness of U.S. businesses.

Defeat of H.R. 2024 will mean that amortizing a company's Section 174 R&D costs will need to be accomplished over an extended period. Many business taxpayers have taken advantage of a filing extension in the hopes that Congress would correct this burdensome change. It now looks as if R&D amortization will need to follow the 5-year and 15-year periods.

For more information on this and other tax topics, please contact Gray, Gray & Gray at 781.407.0300.



Train Your Employees to Be Your First Line of Defense

Cybersecurity threats are more prevalent than ever before. But do you know that in 2023, 86% of all cyberattacks were attributed to human error? This is due to a lack of awareness and training among employees. It is crucial to understand that your employees are your first line of defense against cyber threats, and investing in their cybersecurity education can make a significant difference in protecting your organization's valuable data and assets.



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Financial Due Diligence for Mergers and Acquisitions



Mergers and acquisitions (M&A) come with inherent risks. To mitigate these risks, comprehensive due diligence is essential. Due diligence is the process of investigating a target company to assess its financial health, business operations, and legal compliance. Financial due diligence is a critical component of the overall due

diligence process, as it evaluates key metrics which are used to value the target company and provides insights into its financial statements, and potential financial risks and opportunities.

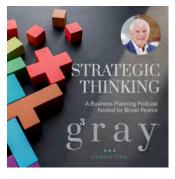
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Announcing New Gray, Gray & Gray Team Members

We are pleased to welcome the following new team members to g3.



New Strategic Thinking Podcast Episode: Bryan Pearce Interviews Stephen Rusch of Gray Strategic Partners



Host Bryan Pearce, Director of Strategic Business Planning at Gray, Gray & Gray, interviews Stephen Rusch, Managing Director of Gray Strategic Partners. During this episode, Bryan and Stephen discuss a variety of important topics related to navigating the sale of a business, from when to consider a sale or "recapitalization," to preparing for a sale and maximizing value of the business, to personal business owner considerations of time and finances beyond the sale.

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