

119TH CONGRESS
1ST SESSION

H. R. 4933

To amend the Internal Revenue Code of 1986 to expand eligibility and increase simplification of the research credit for certain small businesses.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 8, 2025

Mr. NEGUSE introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to expand eligibility and increase simplification of the research credit for certain small businesses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Research and Develop-
5 ment Tax Credit Expansion Act of 2025”.

6 **SEC. 2. EXPANSION OF REFUNDABLE RESEARCH CREDIT**
7 **FOR NEW AND SMALL BUSINESSES.**

8 (a) ADJUSTMENT FOR INFLATION.—Paragraph (4)
9 of section 41(h) of such Code is amended—

1 (1) by redesignating subparagraph (C) as sub-
2 paragraph (D),

3 (2) by redesignating clause (ii) of subparagraph
4 (B) as subparagraph (C), and by moving such sub-
5 paragraph 2 ems to the left,

6 (3) by striking “LIMITATIONS” in the heading
7 of subparagraph (B) and inserting “LIMITATION ON
8 AMOUNT OF ELECTION”,

9 (4) by striking “AMOUNT” in the heading of
10 clause (i) of subparagraph (B) and inserting “IN
11 GENERAL”, and

12 (5) by adding at the end of subparagraph (B),
13 as amended by the preceding subparagraphs of this
14 paragraph, the following new clause:

15 “(ii) ADJUSTMENT FOR INFLATION.—

16 In the case of a taxable year beginning
17 after 2026, the dollar amounts in clause (i)
18 shall be increased by an amount equal to—

19 “(I) such dollar amount, multi-
20 plied by

21 “(II) the cost-of-living adjust-
22 ment determined under section 1(f)(3)
23 for the calendar year in which the tax-
24 able year begins, determined by sub-

1 stituting ‘2025’ for ‘2016’ in subpara-
 2 graph (A)(ii) thereof.

3 If any increase under the preceding sen-
 4 tence is not a multiple of \$100, such in-
 5 crease shall be rounded to the nearest mul-
 6 tiple of \$100.”.

7 (b) CREDIT REFUNDABLE AGAINST UNEMPLOYMENT
 8 TAXES.—

9 (1) IN GENERAL.—Section 3111(f)(1)(B) of the
 10 Internal Revenue Code of 1986 is amended by strik-
 11 ing “subsection (b)” and inserting “subsection (b)
 12 and section 3301”.

13 (2) CONFORMING AMENDMENTS.—

14 (A) Paragraph (2) of section 3111(f) of
 15 such Code is amended by striking “the tax im-
 16 posed by subsection (b)” and inserting “the
 17 sum of the taxes imposed by Comprehensive
 18 Legislation Ensuring Accountability and Re-
 19 sponsiveness Act of 2025, subsection (b), and
 20 section 3301”.

21 (B) Section 3302 of such Code is amended
 22 by adding at the end the following new sub-
 23 section:

24 “(i) CREDIT FOR RESEARCH EXPENDITURES OF
 25 QUALIFIED SMALL BUSINESSES.—Any portion of the

1 credit under section 3111(f) which is credited under such
 2 section to the tax under section 3301 shall be treated as
 3 a credit under this section. Subsection (c) shall not apply
 4 to any such credit.”.

5 (c) QUALIFIED SMALL BUSINESS DEFINITION EX-
 6 PANDED.—Section 41(h)(3)(A) of such Code is amend-
 7 ed—

8 (1) in clause (i)(I), by striking “\$5,000,000”
 9 and inserting “\$10,000,000”,

10 (2) by amending clause (i)(II) to read as fol-
 11 lows:

12 “(II) such entity did not have
 13 gross receipts (as so determined) ex-
 14 ceeding an aggregate of \$25,000 for
 15 any taxable year preceding the 10-tax-
 16 able-year period ending with such tax-
 17 able year, and”, and

18 (3) by adding at the end the following flush
 19 sentence:

20 “For purposes of the preceding sentence, gross receipts
 21 shall be determined under the rules of section 448(c)(3)
 22 without regard to subparagraph (A) thereof, except that
 23 such term shall not include any contributions to the cap-
 24 ital of a corporation (other than contributions by a share-
 25 holder) or any amount described in section 118(b) (other

1 than receipts from customers in exchange for goods or
 2 services).”.

3 (d) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to taxable years beginning after
 5 December 31, 2025.

6 **SEC. 3. MODIFICATIONS TO ALTERNATIVE SIMPLIFIED**
 7 **CREDIT FOR NEW AND SMALL BUSINESSES.**

8 (a) IN GENERAL.—Paragraph (4) of section 41(c) of
 9 the Internal Revenue Code of 1986 is amended by adding
 10 at the end the following new subparagraph:

11 “(D) SPECIAL RULES FOR QUALIFIED
 12 SMALL BUSINESSES.—In the case of a qualified
 13 small business (as defined in subsection
 14 (h)(3))—

15 “(i) CREDIT RATE.—Subparagraph
 16 (A) shall be applied by substituting ‘20
 17 percent’ for ‘14 percent’.

18 “(ii) SPECIAL RULE FOR 1ST YEAR OF
 19 QUALIFIED RESEARCH EXPENSES.—If the
 20 taxpayer has no qualified research ex-
 21 penses in any taxable year preceding the
 22 taxable year for which the credit is being
 23 determined, subparagraph (B)(ii) shall be
 24 applied by substituting ‘20 percent’ for ‘6
 25 percent’.

1 “(iii) SPECIAL RULE FOR OTHER
2 YEARS.—If the taxpayer is not described in
3 clause (ii) for the taxable year, and sub-
4 paragraph (B) applies to such taxpayer for
5 such year, at the election of the taxpayer—

6 “(I) subparagraph (B)(ii) shall
7 be applied by substituting ‘10 percent’
8 for ‘6 percent’, or

9 “(II) subparagraph (B) shall not
10 apply, and the average under subpara-
11 graph (A) shall be determined by dis-
12 regarding any taxable year in the 3-
13 year period described in such subpara-
14 graph in which there were no qualified
15 research expenses.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2025.

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