Latest Updates on R&D Tax Policy Changes (Trump Administration Era)

Introduction:

Research and development (R&D) tax policy in the U.S. is at a turning point. Changes set in motion under the Trump administration's 2017 tax reform are now being reconsidered amid broad bipartisan attention. In particular, a provision from the Tax Cuts and Jobs Act (TCJA) of 2017 altered how companies deduct R&D expenses, moving from immediate expensing to mandatory amortization starting in 2022 . Lawmakers, industry leaders, and policymakers are actively debating new legislation to reverse this and adjust R&D tax credits. Below is a comprehensive update on the current status of R&D tax provisions, expected timelines for changes, impacts on key industries, the legislative process and outlook, proposed modifications, and the spectrum of support and opposition shaping these policies.

Current Status of R&D Expensing and Tax Credits

• R&D Expensing (Section 174): Under current law, businesses can no longer fully deduct R&D costs in the year incurred. Starting in 2022, TCJA requires R&D expenditures to be capitalized and amortized over 5 years

(15 years for foreign research) instead of immediately expensed . This marks a significant shift from 1954–2021, when companies could deduct 100% of qualified research costs upfront. As a result, if a firm invested $100 in R&D in 2022, it could only deduct $20 per year over five years, rather than the full $100 in year one . This change increases taxable income in the short term, raising companies' tax bills.

• R&D Tax Credits (Section 41): The long-standing federal R&D tax credit remains in effect. This credit (separate from expensing rules) allows companies to claim a percentage of their qualified research spending as a credit against taxes. Typically, the credit equals about 5% to 20% of incremental R&D spending, depending on the calculation method. Small and startup businesses can also elect to apply up to $250,000 (recently increased to $500,000) of the credit toward payroll taxes if they have no income tax liability – a boost enacted in 2022 to support early-stage innovators. Importantly, the recent legislative proposals do not eliminate or reduce the R&D credit; rather, they focus on the expensing issue and, in some cases, propose enhancements to the credit for small firms (discussed below) .

• Status Quo vs. Change Pressure: As of early 2025, the status quo is that companies must amortize R&D costs, a policy widely viewed as a deterrent to innovation investments. However, there is intense pressure to change

this. Businesses large and small have felt the impact of the amortization requirement and are lobbying for a return to full, immediate R&D expensing. At the same time, the R&D tax credit continues to incentivize innovation, but its effectiveness is dampened if companies cannot deduct research costs upfront (since amortization raises current taxable income). This dynamic has created a sense of urgency in Congress to address R&D tax policy comprehensively.

Expected Timeline for Changes to Take Effect

Lawmakers have been working on reversing the R&D amortization and making other R&D tax tweaks. Here is a timeline of key developments and the expected path forward:

1. 2022 – Amortization Takes Effect: The shift to five-year amortization for R&D expenses kicked in for tax year 2022 (as mandated by the 2017 TCJA) . Companies for the first time had to capitalize their 2022 research costs, leading to higher taxable income and taxes for that year. Many in industry and Congress hoped this change would be repealed before 2022 ended, but no legislative fix was passed in time.

2. 2023 – Bipartisan Bills Introduced: In 2023, recognition of the “R&D amortization problem” grew. Bipartisan legislation was proposed to restore immediate expensing. Notably, the American Innovation and Jobs Act was introduced in the Senate (S.866, by Senators Maggie Hassan and Todd Young) with broad support, aiming to allow full expensing and enhance R&D credits . In the House, a similar push came through H.R. 2673 (the American Innovation and R&D Competitiveness Act), later folded into a larger House package . Despite hearings and debate, these measures did not reach a final vote in 2023.

3. January 2024 – House Passes R&D Expensing Fix: A breakthrough came early 2024 when the House of Representatives passed H.R. 7024, the Tax Relief for American Families and Workers Act of 2024, by an overwhelming 357–70 vote . This bipartisan bill, introduced by House Ways & Means Chairman Jason Smith (R-MO), would restore full deductibility of R&D costs for 2022 through 2025 (essentially suspending the amortization requirement) . It was even made retroactive to 2022, meaning companies could amend prior returns to claim missed deductions . The bill included other tax items (like some family tax provisions), and it signaled strong bipartisan agreement in the House on helping R&D-intensive businesses.

4. August 2024 – Senate Stalls on Companion Bill: The Senate, however, failed to advance a counterpart package. In August 2024, a negotiated tax compromise – which paired the R&D expensing fix with an expansion of the Child Tax Credit (CTC) – fell short of the 60 votes needed to overcome a filibuster . The procedural vote was 48-44, largely along party lines, so the bill did not proceed . Senate Republicans blocked the measure, chiefly due to disagreements over the CTC portion, despite the R&D provisions being broadly supported . This delay meant no immediate relief for the 2023 tax year, disappointing many businesses. Senate leaders hinted the issue could be revisited after the election, leaving the fix pending into 2025.

5. 2025 – Revisiting R&D Tax Changes: With the new 119th Congress (2025–2026) and a new administration in place, R&D tax policy is back on the agenda. There is expectation of early action in 2025 given President Trump's stated priority to "accelerate the tax deduction for R&D" and restore full expensing . One likely scenario is that R&D expensing will be included in a broader tax package addressing various TCJA provisions set to expire at end of 2025 . Lawmakers may craft a reconciliation bill (a filibuster-proof budget measure) later in 2025 to extend popular business tax cuts, and the R&D fix is considered a high-interest item for that package . If that route is taken, full expensing could be reinstated effective 2024 or

2025, but more likely not retroactive for prior years . Some tax experts note that as more time passes (2022–2024 being filed under amortization), the chance of retroactively undoing those years diminishes. Thus, Congress might opt to restart immediate R&D expensing prospectively (for example, beginning in 2024 or 2025) rather than attempt a complex multi-year retroactive change .

6. Beyond 2025 – Permanent Policy: The House's 2024 fix was temporary (through 2025) to align with the sunset of many individual TCJA provisions. The long-term timeline likely involves making a permanent decision on R&D expensing as part of the post-2025 tax code. If full expensing isn't addressed sooner, it will almost certainly be part of the big debate in late 2025 when numerous tax cuts expire. Both parties will negotiate over which provisions to extend permanently or for the long term. Given the broad consensus on encouraging R&D, it's anticipated that by 2026 the U.S. will either have returned to full R&D expensing or at least extended the relief for several more years . In short, the current amortization policy is widely viewed as unsustainable, so its days are likely numbered – it's a matter of when (not if) Congress acts to change it.

Impact on Technology and Healthcare Industries

The move from immediate R&D expensing to amortization has significant repercussions, especially for industries that rely heavily on research investments. The technology and healthcare sectors (broadly including software, electronics, biotech, pharmaceuticals, medical devices, and related fields) are among those most affected:

Illustration: Key industries would see the largest tax relief from a return to full R&D expensing (percentage reduction in 2023 tax liability by industry if amortization is repealed). Sectors like tech, life sciences, and manufacturing stand to benefit the most, highlighting how the current amortization policy disproportionately impacts innovation-intensive businesses .

• R&D-Intensive Sectors: R&D spending is highly concentrated in a few sectors. Manufacturing (which includes pharmaceutical and biotech companies) accounts for about 58% of domestic private R&D, and the information technology sector about 22% . Professional, scientific, and technical services (which include R&D contractors, research labs, software development firms, etc.) add another ~11% . Because these sectors invest the most in R&D, they are hit hardest by the amortization requirement. They now face an effective “tax penalty” on

innovation – a targeted disadvantage for the very industries that drive technological progress . Analysts note that forcing R&D amortization "punishes industries that rely on R&D investment" and runs counter to pro-innovation industrial policy .

• Cash Flow and Investment Decisions: For tech startups and small biotech companies, the inability to immediately deduct R&D costs has been especially painful. These firms often operate at breakeven or losses while developing new products, so they historically paid little to no tax due to large R&D deductions. Now, however, even pre-profit companies can owe taxes because some of their R&D expenses are not fully deductible in the current year . Many such firms have found themselves with unexpected tax bills, impacting cash flow. According to R&D tax advisors, some small tech companies were "caught off guard" in 2022–2023 and "don't have the money to pay these tax bills…they're struggling to survive", in some cases taking out loans or cutting costs to cover tax payments . This is particularly problematic in software and biotech startups, where R&D (like developers' salaries or clinical trial costs) is a major expense now spread over 5 years .

• Layoffs and Project Delays: Facing higher taxable income, companies have had to make tough choices. Reports indicate that since the amortization rules took effect, some firms have resorted to layoffs, hiring freezes,

or scaling back R&D projects to manage their tax burden . For example, an executive noted that software companies used to deduct 100% of engineer salaries as R&D expense, but now “all of a sudden they can only deduct 10%” in the first year (due to the amortization schedule’s half-year convention). This has real economic effects: cutting R&D projects means potentially shelved innovations, and layoffs mean a loss of talent in high-tech fields. The healthcare industry (particularly pharmaceuticals) also feels the pinch – developing a new drug can cost billions over many years, and the odds of success are low (~10% of drug candidates in trials reach approval) . Delayed or smaller tax deductions make these risky investments even more costly in the near term, which could deter funding for future research pipelines.

• Competitiveness Concerns: Tech and healthcare companies operate in global markets. The U.S.’s switch to R&D amortization has raised concerns that it undermines American firms’ competitiveness. Many other countries offer more favorable R&D tax treatment (either super-deductions, credits, or immediate expensing). If U.S. companies face higher effective tax costs for research, it could influence decisions on where to locate R&D activities. In extreme responses, some small business owners have even contemplated moving operations overseas to countries with better R&D incentives (though relocating R&D is complex and not common, the fact it’s

being considered underscores the pressure the current policy creates). On the flip side, restoring full expensing is projected to boost U.S. innovation and growth. The Joint Committee on Taxation and outside analysts find that full R&D expensing lowers the after-tax cost of R&D, leading to more investment, which in the long run means higher productivity and economic output . In manufacturing and tech, reinstating immediate expensing would translate to substantial tax savings – one estimate found it would reduce tax liability in those sectors by 23–29% on average , freeing up capital that can be reinvested in new product development and hiring.

• Healthcare Sector Nuances: When mentioning "healthcare" in this context, it primarily refers to life sciences (pharmaceuticals, biotechnology, medical research) rather than hospitals or providers. These life science companies are extremely R&D-intensive (for example, pharmaceuticals routinely reinvest a significant share of revenues into R&D for drug discovery). The amortization rule particularly affects them because they often have long development timelines. A biotech startup might spend heavily on R&D for many years with no product revenue, accumulating losses. Under amortization, their taxable income calculations change (though they may still be in a loss position, the losses are smaller because some R&D is deferred). Larger pharmaceutical firms that do have profits see a more

immediate tax hit: one analysis showed the manufacturing sector (which includes pharma) faced an estimated $31.7 billion increase in tax liability in 2023 due to the R&D amortization policy . This is revenue that could have otherwise gone into further research. Thus, both established and emerging healthcare companies strongly favor reinstating immediate expensing to support ongoing innovation.

In summary, the technology and healthcare industries are at the forefront of the R&D tax policy debate. The current amortization rule is widely regarded as harmful to these sectors – it is, as the Tax Foundation described, effectively a “de-industrial policy” that targets the very industries (like software, semiconductors, and biotech) that policymakers typically want to encourage . Reverting to full expensing and preserving robust R&D credits are expected to provide significant relief and stimulate further innovation in these fields.

Legislative Process and Likelihood of Passage

Changing tax laws – even with bipartisan agreement in principle – involves navigating the legislative maze. The effort to reverse R&D amortization and adjust related tax provisions has followed a winding path through Congress.

Here’s a look at the process so far and the outlook for passage:

• Congressional Vehicles: R&D tax changes have been pursued via standalone bills and as part of larger packages. In 2023–2024, lawmakers tried both approaches. The House’s R&D expensing fix was packaged in a broader tax bill (H.R. 7024) that included not just business relief but also some family tax credits, to attract support from both sides . In the Senate, Finance Committee Chairman Ron Wyden (D-OR) and his House counterpart Jason Smith (R-MO) negotiated a compromise linking the R&D provision with an expanded Child Tax Credit, hoping to satisfy Democrats’ priorities and Republican’s business interests . Despite broad support for the R&D piece, the combined package hit political hurdles – an important lesson in the legislative process. Often, a popular measure like the R&D fix can get delayed if it’s tied to another contested issue (in this case, the CTC expansion).

• Senate Dynamics and Filibuster: The main roadblock in 2024 was the Senate filibuster (the 60-vote requirement for most legislation). While a simple majority in the Senate likely supports restoring R&D expensing, attaching it to the CTC made it divisive. In the August 2024 cloture vote, only 48 Senators voted to advance the bill (with 60 needed) . Nearly all Republicans voted no – not because they opposed the R&D provision, but because

they objected to the overall package or its timing . Some GOP senators and leadership accused Democrats of staging a political vote right before recess, and balked at giving a win to the majority before the election . On the other side, Democrats were unwilling to drop the child credit piece, insisting that any corporate tax relief be paired with help for families . This stalemate illustrates how bipartisan support can splinter when bills are multifaceted.

• Key Committees and Process: Tax legislation must go through the tax-writing committees – the House Ways and Means Committee and the Senate Finance Committee. Both committees have shown interest in resolving the R&D issue. In late 2023, House Ways and Means held markups on the proposals, and in 2024 they shepherded H.R. 7024 to passage . In the Senate, Finance Committee members from both parties (like Sen. Maggie Hassan, D-NH, and Sen. Todd Young, R-IN, who cosponsored the Senate's American Innovation and Jobs Act) have been vocal advocates for R&D expensing. For 2025, the legislative strategy might shift: if regular order (60-vote bills) remains challenging, Congress could use budget reconciliation to pass tax changes with a simple majority. Reconciliation was how the TCJA originally passed in 2017, and it could be employed in 2025 to extend or modify tax provisions set to expire. A reconciliation bill focused on taxes could include the R&D fix without

needing any opposition party votes, provided the majority party is united. However, using reconciliation requires adherence to budget rules (the Byrd Rule), and any permanent change would need offsets or face expiration due to deficit impact .

• Likelihood of Passage: Despite the previous delays, the likelihood of an R&D tax policy change being enacted is high. There is strong bipartisan consensus that the current amortization policy is detrimental. Both Republicans and Democrats have reasons to support the fix: Republicans see it as pro-growth and business-friendly, Democrats recognize its importance to jobs and competitiveness (and many have constituents hurt by it, including small businesses and research heavy employers). In fact, "dozens of lawmakers in both parties" cosponsored or endorsed legislation to restore full R&D expensing . The House's 357-70 vote underscores that it's not a partisan issue in isolation . The timing and vehicle of passage are the main questions, but observers note that by tying the R&D fix to the must-pass end-of-2025 tax extensions, it becomes very likely to be approved one way or another . Another possibility is that a deal could come together sooner if, for instance, the White House and congressional leaders strike a bargain in mid-2025 to tackle some tax priorities earlier.

• Trump Administration's Role: Now that Donald Trump is (per context) returning to the White House in 2025, his

administration’s stance will influence the legislative course. On the campaign trail, Trump explicitly promised to reinstate immediate deductibility of R&D expenses to undo the “less favorable” treatment that took effect in recent years . With Republican majorities in Congress (as assumed in this scenario), the White House will likely push to include the R&D expensing fix in its broader tax agenda, rather than waiting until the last minute. Trump has even suggested he prefers one large tax bill that covers everything, whereas some Senate Republicans lean toward tackling items in pieces . Either way, having the administration’s backing and alignment between House and Senate leaders could smooth the process. The fact that R&D expensing relief was part of the negotiated bipartisan package in 2024 means that even in a Republican-driven bill in 2025, it should face minimal opposition on substance. The main consideration will be whether Democrats are brought on board via inclusion of some of their priorities (to avoid purely partisan legislation) or if Republicans proceed alone via reconciliation. Given the broad support, a bipartisan approach with some compromises (for example, a modest CTC enhancement alongside R&D expensing) might ultimately emerge, improving the odds of durable policy and avoiding seesawing tax rules.

In summary, the legislative journey of the R&D tax changes has seen near-agreement derailed by broader politics. Nonetheless, the core policy of restoring R&D write-offs has momentum. The smart money is on Congress enacting a fix by the end of 2025 at the latest, and quite possibly earlier in 2025 if conditions align. Businesses are advised to stay alert for developments, as any enacted changes could be retroactive or effective in the current tax year, which would impact tax filings and estimated taxes. The widespread expectation in Washington is that the current amortization regime will not last much longer .

Potential Modifications to R&D Tax Credits and Expensing Rules

Beyond simply returning to the pre-2022 status quo, lawmakers have floated various tweaks to improve R&D incentives. Proposed changes address both the expensing rules and the tax credit to bolster innovation. Key potential modifications include:

- Restore Full Expensing (Section 174) – The centerpiece of current legislation is to repeal the five-year amortization requirement and allow businesses to immediately deduct 100% of R&D expenses in the year incurred. This would effectively undo the TCJA change.

The House-passed bill (H.R. 7024) does exactly this, allowing full expensing for 2022–2025 . Senate proposals similarly call for full expensing going forward or permanently. President Trump has endorsed this move, proposing to accelerate R&D write-offs to once again deduct costs in year one, noting that current law's spread-out deduction hinders new investments . In legislative terms, there is very little disagreement on this point – virtually all proposals aim to restore immediate R&D expensing as the proper tax treatment for research costs.

• Enhance the R&D Tax Credit – Some reforms target the R&D credit (Section 41) to further incentivize innovation, especially for startups and small businesses. For example, the bipartisan American Innovation and Jobs Act (S.866) in the Senate not only restores expensing but also increases the credit available to new companies . It would raise the maximum eligible R&D credit for small firms and boost the credit rate for startups to 20% (currently, the alternative simplified credit is 14% of qualifying R&D for most firms, or effectively up to 10% under the traditional method) . Additionally, since 2023 the allowable startup credit offset against payroll taxes doubled to $500,000, and future bills could consider further raising this cap or making the credit partially refundable. The goal is to ensure that young companies with no income tax liability can still benefit fully from R&D credits, providing them cash flow relief. While the failed 2024 package did not

change the R&D credit itself (it focused on deductions) , there is interest in simplifying and strengthening the credit. Ideas include streamlining the credit calculation, providing higher credit percentages for certain critical research areas, or easing documentation requirements to encourage more firms to claim it. Any changes to the credit, however, would come with a budgetary cost and complexity, so they are being considered carefully. So far, no major overhaul of the credit formula has advanced, but incremental boosts for small business have strong bipartisan appeal.

• Extension of Relief and Phase-ins: Lawmakers have also debated how long any restored expensing should last if not made permanent. The House's approach was a temporary extension through 2025 (to coincide with other expiring tax cuts) , essentially punting a permanent decision to a later Congress. If an R&D expensing fix passes as part of a broader 2025 deal, it could be made permanent or extended for a number of years. Some proposals have considered a phase-in or phase-out approach – for instance, if immediate full expensing is too costly all at once, Congress could allow a higher percentage of R&D to be expensed upfront (say 50% immediate, 50% amortized) for a transitional period. However, most stakeholders prefer a clean reinstatement of full expensing. If reconciliation is used, a permanent change might technically have to "sunset" in 10 years due

to budget rules, but a future Congress could address that. In any case, businesses should prepare for a possible scenario where 2022–2025 are fixed retroactively or prospectively, but also keep an eye on whether the fix is only temporary. A temporary restoration (through say 2026 or 2027) would provide short-term relief but leave uncertainty for long-term R&D planning, whereas a permanent fix would solidify the incentive.

• Interaction with Other Tax Policies: R&D tax changes are being considered alongside other business tax issues from TCJA. For example, 100% bonus depreciation for equipment is another expiring provision (phasing down currently) that Republicans want to extend or make permanent, and Trump's tax agenda includes reviving full bonus depreciation . Interest deductibility rules (Section 163(j)) also tightened in 2022 (switching to an EBIT basis), which companies dislike . These related provisions could be bundled with the R&D fix in a single business tax package. From a policy perspective, all these changes aim to encourage investment – R&D expensing encourages investment in innovation, bonus depreciation in capital assets, etc. The legislative horse-trading might link them: for instance, a final bill could restore R&D expensing and extend bonus depreciation, while perhaps limiting some other tax break to offset revenue loss. It's also worth noting the Inflation Reduction Act of 2022 introduced new corporate minimum taxes which can

complicate the benefit of deductions and credits; however, that 15% book minimum tax law does allow R&D deductions and credits, so it shouldn't negate the incentive if expensing is restored.

• IRS Guidance and Definitions: While not a legislative change, it's relevant that the IRS and Treasury are refining regulations around what counts as R&D expense under Section 174. In late 2023, interim guidance (Notice 2023-63) clarified definitions like what constitutes software development that must be amortized . Some stakeholders hope that if legislative relief delays, Treasury might find ways to administratively ease compliance (for instance, exceptions for certain contract research or safe harbors). However, meaningful relief really requires an act of Congress. If Congress does act, it may also instruct the IRS to provide transition rules (e.g., how to handle costs that were partially amortized in 2022–2024 once expensing is restored). No major modifications to what qualifies for the R&D credit (the definition of qualified research) have been proposed; the focus is on the financial treatment rather than redefining R&D itself.

In essence, the policy modifications on the table boil down to making R&D tax benefits more generous and immediate. Full expensing is the primary objective, undoing the Trump-era change that just took effect.

Enhancing credits for small businesses is another targeted improvement with bipartisan support . Other ideas (like improving refundability or simplifying credits) are in early discussion stages. Any final legislation could incorporate one or several of these components. Companies in tech and healthcare are watching closely, as these changes will directly impact their tax strategy and innovation budgets.

Bipartisan Support and Opposition: Key Stakeholders Involved

One striking aspect of the R&D tax policy debate is the unusual coalition of supporters it has generated. Typically, tax cuts for businesses can be polarizing, but in this case there is broad bipartisan support for fixing the R&D expensing issue. However, that doesn't mean there's zero opposition or controversy – rather, the disagreements are about how and when to enact the changes, and what should be paired with them. Let's break down the support, opposition, and key players:

- Bipartisan Support in Congress: Lawmakers from both parties have championed the restoration of R&D expensing. The overwhelming House vote (357–70) in favor of the fix highlights this cross-party agreement . Republicans, traditionally pro-business tax cuts, are

obviously in favor. But many Democrats also support R&D incentives, viewing them as investments in innovation and jobs. For instance, Democratic Senators Maggie Hassan and Catherine Cortez Masto co-sponsored the Senate bill alongside Republicans Young and Todd, emphasizing that amortization is a "regressive policy" that harms startups . Both Senate Finance Chair Ron Wyden (D) and House Ways & Means Chair Jason Smith (R) negotiated in good faith to include R&D relief in a year-end 2023 deal . While that deal faltered, their cooperation shows the issue itself wasn't partisan. Even progressive-leaning members acknowledge the need: the idea of encouraging R&D aligns with goals of technological leadership and combating climate/health challenges via innovation. In late 2022, dozens of Democrats and Republicans signed letters and cosponsored bills urging leadership to address the pending amortization problem . In short, there is a solid bloc in both parties that wants to see R&D tax relief enacted, and this has been a driving force keeping the issue alive on the agenda.

• Industries and Business Coalition: Outside the Capitol, virtually the entire business community supports reversing R&D amortization. A broad coalition of industries has been "angling for" the return of full deductions since the moment they were lost . This coalition spans tech companies (big and small),

pharmaceutical and biotech firms, manufacturers, defense and aerospace companies, software developers, startup incubators, and more. Trade groups like the U.S. Chamber of Commerce, National Association of Manufacturers (NAM), the Business Roundtable, and tech associations have all lobbied on this issue. They frequently cite that the U.S. is one of the only developed countries with such an unfavorable treatment for R&D now, warning that it undercuts U.S. innovation competitiveness. In 2024, over 1,100 small businesses from across the country signed a letter to Congress imploring them to fix Section 174 expensing . In that letter, small business owners described "drastic financial decisions" they had to make – taking out loans, incurring debt, even layoffs – solely to cover the higher taxes from losing the immediate R&D write-off . They warned of more layoffs, closures, or bankruptcies if nothing changed . Such testimonials put a human face on the issue, showing it's not just large corporations but also startups and innovators in every state feeling the strain. This broad-based advocacy has created a sense of urgency and provided political cover for lawmakers to act. It's not often you have Silicon Valley tech firms, Midwestern manufacturers, and biotech researchers all on the same page – but here they absolutely are united in support.

• Trump Administration and Republicans: Given the question's focus on the "Trump administration," it's worth

noting the stance of key Republican figures. Former President Trump himself, as mentioned, has made R&D expensing a part of his tax agenda for his (potential) second term . Republican leaders in Congress, such as Rep. Jason Smith and Sen. John Thune, have been vocal that fixing R&D amortization is a top priority for any tax bill. There is virtually no Republican opposition to the policy change per se. Where Republican strategy came into play was in late 2022 and 2024, some in the GOP did not want to grant a victory (a bipartisan tax deal) while Democrats still controlled part of Congress or right before an election. For example, Senate Republican leader Mitch McConnell characterized the August 2024 vote as a "message vote" and implied Republicans shouldn't help pass it on Democrats' timetable . This was a strategic pause, not an objection to R&D policy itself. Indeed, a number of GOP Senators (especially those in competitive races or with a tech industry presence in their state) were itching to vote yes, and a few broke ranks and voted to advance the bill (Josh Hawley, Markwayne Mullin, and Rick Scott were the only Republicans voting with Democrats on the cloture motion) . Going into 2025, with Republicans in charge, one can expect near-unanimous Republican support to include R&D expensing in their tax legislation. Any intra-party debate will likely be about how to offset the cost or package it, rather than the merit of the policy.

• Democratic Support and Conditions: On the Democratic side, support for the R&D fix has been strong but often conditioned on also helping working families. Democrats do not want to be seen as giving corporations tax breaks without also delivering something like an expanded Child Tax Credit that benefits lower- and middle-income households . This was evident in 2022 when Speaker Nancy Pelosi pushed for a CTC revival in exchange for agreeing to the R&D fix. In 2023, Chairman Wyden made similar demands. So while Democrats say yes, we want to stop penalizing R&D, they have leveraged the must-pass nature of that fix to also address social tax policy. Progressive commentators and groups (e.g., Center for American Progress) argued that Congress "should prioritize the child tax credit over corporate tax breaks" if forced to choose . Nonetheless, many Democrats have acknowledged the R&D issue needs solving – their strategy was about timing (some were fine to let it wait until a lame-duck deal that also included their priorities). With Trump and Republicans now leading, Democrats might not have as much bargaining power, but their votes might still be needed in the Senate if the GOP doesn't use reconciliation. Therefore, bipartisan negotiations could very well resurface, potentially trading an R&D expensing extension for at least a modest CTC enhancement or other bipartisan measures. Key Democratic stakeholders include Sen. Ron Wyden, who will likely be the ranking member on Finance and has

consistently worked on this issue, as well as moderates like Senator Mark Warner (D-VA) or Senator Kyrsten Sinema (I-AZ) who have tech constituencies and often cross the aisle on tax policy.

• Opposition / Concerns: There is relatively little direct opposition arguing "don't restore R&D expensing." Almost everyone agrees on the goal. However, fiscal hawks and deficit-conscious lawmakers raise concerns about the cost of the fix. Restoring full expensing would lower federal revenue by an estimated $120 billion or more over ten years (if made permanent, much more) . With deficits rising, there is caution about adding to the debt without offsets. For example, some Republicans insisted that any tax cuts (including R&D) be paid for by spending cuts elsewhere – a stance that can complicate passage. In the House, a small number of fiscal hardliners initially hesitated at adding to the deficit. But given the importance of R&D, many are willing to consider it an investment. In the Senate, someone like Sen. Mike Crapo (R-ID), who was cited as the "main opponent" of the House bill in mid-2024 , was not against R&D relief itself but reportedly against moving it as a standalone or part of the FAA bill without a broader agreement. He likely wanted to keep it as leverage for a bigger negotiation. No Democrats oppose the R&D fix outright, but some progressive lawmakers might decry a standalone business tax cut if unaccompanied by worker/child tax relief –

more a messaging stance than a policy objection. Outside groups like the Committee for a Responsible Federal Budget (CRFB) might caution against unpaid for extensions of tax provisions, and progressive groups emphasize poverty reduction over business incentives , yet these voices haven't significantly slowed the R&D effort.

• Key Stakeholders (Executive & Others): If we consider the executive branch under Trump, key players would include the Treasury Department and White House economic advisors who will likely craft the specifics of any proposal. In Trump's first term, officials like Treasury Secretary Steven Mnuchin and NEC Director Gary Cohn played roles in tax policy; in a new term, new appointees would carry that torch. They are expected to strongly favor pro-R&D measures. Another stakeholder is the research community itself – universities and research institutions. They indirectly feel R&D tax policy changes because many startups and tech firms fund research collaborations or contract research. Organizations like the Association of American Universities (AAU) have quietly supported robust R&D incentives to ensure industry-sponsored research remains vibrant. Lastly, states that have their own R&D credits or conformity to federal rules are also stakeholders. Many states conformed to federal treatment of R&D expenses; the switch to amortization at the federal level thus impacted state taxes too. State

policymakers in high-R&D states (California, Massachusetts, etc.) are watching what Congress does, as it could affect state revenue and the attractiveness of their state for research-heavy companies.

In sum, the support for revising R&D tax policy is broad and bipartisan, uniting lawmakers and industries in a common cause to boost innovation. Opposition is not about whether to do it, but how to do it responsibly – focusing on budget impact or pairing with other policies. All the key stakeholders, from the White House to Congress to industry to small businesses, are heavily engaged. The narrative has largely been "everyone wants this fixed, it's just caught in the larger political crosscurrents." That bodes well for eventual resolution. Indeed, by late 2024 there was palpable frustration that Congress hadn't acted yet – which adds pressure to not let 2025 pass without a fix. As a bipartisan policy center report phrased it, a year-end tax deal that "grows the economy through R&D expensing" is both possible and worthy of Congress's effort . With that momentum and alignment of stakeholders, the smart expectation is that R&D tax relief will secure its passage, delivering a welcome boost to America's tech and healthcare innovators.

Conclusion:

The proposed changes to R&D tax policy born out of the Trump administration's reforms are on the cusp of being reshaped yet again. Legislation to restore immediate R&D expensing and refine R&D tax credits enjoys rare bipartisan backing and is driven by clear evidence of economic impact on key industries. The current status – requiring amortization of research costs – has been widely deemed a mistake that risks U.S. technological leadership, especially in sectors like software and biotechnology. While the timeline for enacting a fix was delayed by political negotiations, the coming year (2025) presents a prime window to implement changes, either as a standalone effort or as part of the larger post-TCJA tax landscape. The technology and healthcare industries stand to gain significantly from these changes, translating tax savings into increased innovation, jobs, and competitiveness. The legislative process has seen ups and downs, but the odds of passage are favorable given the coalition of support and the inclusion of R&D expensing in both parties' agendas. We may also see modest enhancements to R&D credits to further encourage startups and small innovators. As for the politics, bipartisan support is strong, and remaining differences seem bridgeable with pragmatic compromise. Key stakeholders – from CEOs of major tech companies to senators on both sides of the aisle, and from small

business owners to the President himself – are aligned in calling for reform. All told, businesses should prepare for a return to a more R&D-friendly tax code. If and when these policy changes take effect, companies in the tech and healthcare domains (and beyond) can expect a more favorable environment to invest in cutting-edge research, fueling the next wave of American innovation.