

H.R. 1, referred to as “The One Big Beautiful Bill Act” (the Act), was signed into law on 7/4/2025. Among many other provisions, the Act addresses various business tax credits. We’ve put together the following to help answer questions you may have about the Act’s impact on tax credits. Visit ADP’s [Eye on Washington](#) for more information on the Act.

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| <b>Q.</b> | <b>Is WOTC affected by this Act?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| A.        | WOTC was not addressed in the Act, and it remains in effect until 12/31/2025. We will continue to monitor the situation closely.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Q.</b> | <b>Does this Act address Employee Retention Tax Credits (ERTC)?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| A.        | <p>The Act retroactively ends the Employee Retention Tax Credit (ERTC) program for third and fourth quarter (Q3 and Q4) 2021 claims that were filed after 1/31/2024, effectively codifying, for those quarters, the current IRS ERTC processing moratorium. While businesses are not eligible to claim any Q3 and Q4 2021 claims filed after that date, claims from those quarters that were filed before January 31, 2024, will still be processed. Claims from prior quarters are unaffected by the Act.</p> <p>The new law also extends the statute of limitations for the IRS to assess the validity of Q3 and Q4 2021 ERTC claims. The IRS now has six years, as opposed to five years, from the date of filing to assess and audit claims from these quarters. The statute of limitations for 2020 and the first and second quarters of 2021 remains unchanged and is three years.</p> |
| <b>Q.</b> | <b>How does the Act affect R&amp;D Tax?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| A.        | <p>Its passage makes it easier and more beneficial for domestic businesses, especially small ones, to benefit from investments in innovation. Here are some highlights:</p> <ul style="list-style-type: none"> <li>• Returns the ability to immediately deduct domestic R&amp;D expenses in the year incurred for tax years beginning after 12/31/2024, eliminating the prior requirement to capitalize and amortize them over five years.</li> <li>• Certain small businesses with average gross receipts of \$31 million or less over 2022-2024 are allowed to amend prior year tax returns to retroactively deduct R&amp;D expenses incurred for tax years beginning after 12/31/2021.</li> <li>• Allows businesses that amortized to accelerate their remaining deductions over a one or two-year period.</li> </ul>                                                                     |
| <b>Q.</b> | <b>Does the Act affect the R&amp;D Tax Credit?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| A.        | <p>The Act does not affect the R&amp;D tax credit itself. It can, however, make performing research and development more beneficial, again.</p> <p>The reinstatement of a business’s ability to immediately deduct qualified domestic R&amp;D expenditures in the year they are incurred, and retroactively in certain cases, can help reduce taxable income.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**Q. When are the R&D changes effective?**

A. For tax years beginning after 12/31/2021 for businesses that meet the \$31 million and under average gross receipt threshold, and for tax years beginning after 12/31/2024 for those who don't.

**Q. What do I need to do to leverage these changes?**

A. The law allows one year from the enactment date of the Act (7/4/2025) for certain small businesses that meet the \$31 million and under average gross receipt threshold to file retroactive amendments to change previously amortized R&D expenses to deductions for tax years beginning after 12/31/2021. We are waiting for additional guidance on filing requirements to comply with the new provisions.

**Q. Does this apply to foreign R&D costs?**

A. Not currently. Foreign R&D costs must still be capitalized and amortized over 15 years.

**Q. If I haven't filed my 2024 return, how should I report R&D credits?**

A. We are waiting on further guidance from the IRS and will update these FAQs when more information is available. If the average of your gross receipts between 2022 and 2024 were at or under \$31 million, you will not have to amortize your R&D expenses for 2024 and will be able to deduct them.

**Q. How do I know if I qualify for R&D?**

A. If you're already an ADP Tax Credits client, just reach out to your service representative for support. If you'd like to learn how ADP can help you see if you qualify, contact us at [R&D tax credit estimate](#).