

	Activities	Qualified Under SEC. 174	Qualified Under SEC. 41
1	Research to Discover Technological Information	Yes	Yes
2	Internal-Use software that meets the High Threshold of Innovation Test	Yes	Yes
3	Direct Support of Qualified Research Activities	Yes	Yes
4	Direct Supervision of Qualified Research Activities	Yes	Yes
5	Quality Control (testing for appropriateness of design)	Yes	Yes
6	Funded research performed pursuant to contract or agreement	Yes	No
7	Research after Commercial Production	Yes	No
8	Research Activity that is not new to the Taxpayer	Yes	No
9	Research that is Otherwise Commercially Available	Yes	No
10	Research related to style, taste, cosmetics, or seasonal design factors	Yes	No
11	Patent (perfecting, filing, paperwork)	Yes	No
12	Routine Software Development	Yes	No
13	Internal-use software that does not meet the High Threshold of Innovation Test	Yes	No
14	Adaptation of an existing business component	Yes	No
15	Reverse Engineering	Yes	No
16	Routine Data Collection	Yes	No
17	Research Conducted Outside the U.S.	Yes	No
18	Indirect Supervision	Yes	No
19	Indirect Support	Yes	No
20	Research where the taxpayer does not retain substantial rights	Yes	No
21	Contract research conducted prior to the start of the trade or business (including contract research expenses paid by startups)	Yes	No
22	Activity that does not exceed the common knowledge test	Yes	Maybe
23	Patent Technical Research	Yes	Maybe
24	In-house research expenses incurred by a startup	Yes	Yes
25	The ordinary testing or inspection of materials or products for quality control	No	No
26	Contract research under performance guarantee by third party	No	No
27	Efficiency Surveys	No	No
28	Management Studies	No	No
29	Consumer Surveys	No	No
30	Advertising and Promotions	No	No
31	Acquisition of Another's Patent	No	No
32	Literary and Historical Research	No	No
33	Management Organization Plans	No	No
34	Management-Based Changes in Production Process	No	No
35	Market Research	No	No
36	Research related to social sciences, economics, business management, behavioral sciences, arts, or humanities	No	No

IRC Section 41 vs. Section 174: Qualifying Expenses

	Type of Expense	Qualified Under SEC. 174	Qualified Under SEC. 41
1	W-2 Wages	Yes	Yes
2	Expenses incurred for supplies used in research	Yes	Yes
3	Extraordinary Utilities	Yes	Yes
4	Design and development of property of a character subject to depreciation	Yes	Yes
5	Computer Lease/Rental Expenses	Yes	Yes
6	Contract Research Expense	Yes (100%)	Yes (65%)
7	Non-Taxable Employee Benefits	Yes	No
8	Depreciation Expense	Yes	No
9	Overhead Expenses	Yes	No
10	G&A Allocation	Yes	No
11	Ordinary Utilities	Yes	No
12	Indirect Expense	Yes	No
13	Rent	Yes	No
14	Patent Expense	Yes	No
15	Any Computer Software Development Costs	Yes	No
16	Land	No	No
17	Improvements to Land	No	No
18	Construction of property of a character subject to depreciation	No	No
19	Mineral, Ore Deposit, Oil and/or Gas Exploration Costs	No	No