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Texas: Tax Policy Memo Addresses Impact of Federal Regulations on Texas R&D Rules

Letter No. 202302001L, Tex. Comptroller of Public Accounts (2/6/23); *Letter No. 202302002L*, Tex. Comptroller of Public Accounts (2/6/23). The Texas Comptroller of Public Accounts, Tax Policy Division (Comptroller), issued a memo summarizing the various federal statutes and regulations relating to “Internal Use Software” (IUS) (as permitted to be applied to the 2011 income federal tax year) that the Comptroller recognizes as incorporated-by-reference into Texas law, as described in the August 2022 amendments to Comptroller Rules 3.340 and 3.599, which provide additional guidance and clarification on the Texas franchise tax research and development (R&D) activities credit and the sales/use tax R&D exemption [see *State Tax Matters*, Issue 2022-31, for more details on these amendments]. The memo also reiterates that for Texas tax purposes, taxpayers have the option to elect between two prior versions of the federal R&D regulations; however, taxpayers do not have the option to elect between different provisions within those versions. Please contact us with any questions.

URL: <https://star.comptroller.texas.gov/view/202302001L>

URL: <https://star.comptroller.texas.gov/view/202302002L>

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/220805_7.html

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