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KPMG report: Implications of “Little Sandy” opinion on research credit claims

The U.S. Tax Court in a February 2021 memorandum opinion disallowed a taxpayer’s research tax credit claim under sections 38 and 41(a) for expenses incurred by the taxpayer’s subsidiary.

Most significantly, the Tax Court evaluated the elements of a process of experimentation, focusing on the eligibility of direct supervision, direct support activities, and supplies costs.

It is not certain if the taxpayer will appeal, but this presents an opportunity to review the facts and issues in the case and to consider the practical implications for taxpayers claiming the research credit.

Read a [March 2021 report](#) [PDF 99 KB] prepared by KPMG LLP: *What’s News in Tax: U.S. Tax Court Disallows Research Tax Credit in “Little Sandy”*

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