



TaxNewsFlash

United States



No. 2021-134
March 29, 2021

U.S. Tax Court: Clothing designs and patterns not eligible research expenses

The U.S. Tax Court today issued a memorandum opinion holding that designs and patterns used by the taxpayer to produce garments did not constitute qualified research eligible for the credit under section 41.

The taxpayer (a designer and businessman) founded a company that produces and sells millions of garments a year.

The company designs the clothing, beginning with hand-drawn sketches and using knowledge that is common to people in their field, designers, patternmakers, and sample makers, then turn the sketches into garments for purchase. For these activities, the taxpayer claimed credits under section 41 for increasing research activities for 2011 and 2012.

The court found the activities in the taxpayer's design process did not constitute qualified research and that the claimed expenses did not qualify for the research credit.

The case is: *Max v. Commissioner*, T.C. Memo. 2021-37 (March 29, 2021). Read the [T.C. memo opinion](#) [PDF 326 KB]

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