

- **The New R&D Credit**

IRS & R&D Tax Credit Updates: Critical Changes for Engineering Companies in 2026



Kenan Hale

Director

Kenan is a Director at alliant, specializing in the architecture & engineering, construction/contracting and manufacturing industries.

An auditor by background, he has worked for a number of prestigious firms, as well as a multiple Fortune 250 companies. Kenan has a Master's of Business Administration degree from Florida A&M University's (FAMU) School of Business and Industry (SBI).

In his role at alliant, Kenan has worked with hundreds of small to mid-sized businesses and has helped businesses claim over \$50 million in credits and incentives.

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Our History of Success

70+

Industries
Served

37,000+

U.S. Businesses
Served

25 Years

In Tax
Consulting

4,500+

Proud CPA
Partners

We have helped ACEC members claim \$1.1 Billion in credits and incentives!

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A&E Clients

- Over 18,000 R&D studies completed for A&E clients
- Over \$4 Billion in credits delivered



A&E Team

01

50+ engineers

22 licensed professional
engineers covering every state

02

**20+ data scientists and
degreed statisticians**

03

**100+ licensed attorneys
specializing in the R&D tax
credit and A&E contracts**

Key Deadlines





Darren John Guillot

**alliant National Director;
Former IRS Commissioner, SBSE**

As an alliant trusted tax advisor and consultant, Mr. Guillot assists small and medium-sized businesses navigate America's tax system to secure incentives and credits that stimulate innovation and improve products and services. He also serves them as an expert resource resolving complex compliance and appellate controversies.

Mr. Guillot recently retired from IRS after 36 years with the agency, serving in numerous leadership roles, including Commissioner and Commissioner of the Small Business Division. In these top leadership positions, he oversaw all IRS domestic and international Collection Operations and its Operations Support functions. He also led the creation and oversight of the Office of Fraud Enforcement, providing support and coordination for all civil division efforts detecting and deterring tax fraud - including developing IRS' most expansive and innovative use of data analytics to address virtual currency concerns by the civil functions. Before departing the agency, he led IRS' groundbreaking, successful effort using authenticated voice robotics [eliminating phone hold times for over 14 million taxpayers in less than two years], and then initiated the High Wealth High Balance Due Initiative - recovering nearly half a billion in revenue within its first year.

Darren's extensive enforcement background at IRS was balanced by his 14 years' experience in IRS' Independent Office of Appeals, culminating in his creation and top leadership of the Appeals Judicial Approach & Culture (AJAC) Project and its resulting policies and procedures in use to this day. He began his IRS career as a revenue officer and holds a bachelor's degree from the University of Holy Cross, is a fellow of the Loyola University Institute of Politics and was awarded the Certificate in Public Leadership by the Brookings Institution.

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**New IRS Compliance
Regime**

New Approach

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- Increase Voluntary Compliance
- Address a lack of due diligence
- Potential deterrent effect for pop-up shops

Resource Optimization



- New approach will put the onus on taxpayers
- Legitimate claims processed more quickly
- Better Allocate audit resources
- Focus on compliance patterns and systemic issues rather than individual case-by-case reviews
- Reduce cost and expense for the IRS

The Alliant logo consists of the word "alliant" in a lowercase, sans-serif font, followed by a stylized icon of three vertical bars of varying heights, resembling a bar chart or a signal waveform.

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How the IRS is Using AI

New 6765 R&D Data for IRS AI Model



- R&D – A Top Priority
 - Over 100,000 R&D Claims worth tens of billions annually
 - IRS 3 court losses on “Notice”
- New Section G of 6765
 - Goal will be to digitize returns
 - Train AI to detect errors
- Collecting 6765 data to feed AI model
- Automate disallowances
- Using Data to Select Cases for Audit

Notable Changes



New Section G:

- Description of Business component – line 50(c)
- Information sought to be discovered through activity – line 50 (d)*
- Is the BC new or improved? – line 50 (e)
- Business component type – line 50 (f)
- Business component use – line 50 (g)
- Software (if applicable) – line 50(h)
- Total Qualified Wages – line 54
 - Direct Research Wages – line 51
 - Direct supervision wages – line 52
 - Direct support wages – line 53
- Cost of supplies – line 55
- Rental cost for computers – line 56
- Applicable amount for contracts – line 57
- Total wages – line 58
- Total cost of supplies – line 59
- Total rental costs – line 60
- Total contract research amount – line 61
- All basic requirements – line 62 & 63
- Total – line 64

• *Note – Removed as of 6/18/24 for amended filings:

- **Names of individuals performing research activity**

New 6765 R&D Training Data for IRS AI Model

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What will their R&D AI Likely be able to do in the near future? Similar to ERC AI:

- Flag wage mismatches
- Flag incomplete/insufficient submissions
- Flag commonly misclaimed expenses
- Flag common errors/audit selection
- Automate disallowances

Human will still need to do audit

Guidance on AI and Complex Tax for Taxpayers

Guidance from the IRS

- The IRS has released their **2026 Dirty Dozen** list of major scams and made a straightforward point:

“Taxpayers should not rely on AI-generated responses to complex tax questions”

Reports from Respected Journalists

- Washington Post – “A review by the Washington Post found that AI models provided inaccurate or irrelevant responses 50% of the time when asked complex tax questions.”
- Wall Street Journal – “They’re more likely to be wrong when discussing state laws; topics with recent news or changes (such as tax legislation or IRS guidance); complex situations like business income that they may oversimplify; and vaguely worded questions.”
- Forbes – Danny Werfel – There is no IRS approved AI model

Reviews from AI Industry Leaders

- OpenAI updated its usage policies that AI cannot be used to replace licensed tax professionals.
- OpenAI's research shows that it is mathematically inevitable AI models will not only hallucinate but that **they will intentionally lie/scheme/deceive.**
 - You do not want to lie/scheme/deceive the IRS



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**Research & Development
Tax Credit**

Traditional vs Tax (Dec. 2003)

TRADITIONAL DEFINITION =
New to the World



TAX DEFINITION =
New to the Taxpayer



R&D Tax Credit



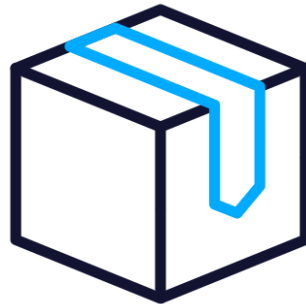
New or Improved Business Component

Business Component Purpose Matrix

The Project's Business Component	The Purposes of the R&D Activities related to the...				
	Function	Performance	Reliability	Quality	Durability
Product	✓		✓	✓	✓
Process		✓	✓		
Software		✓			
Technique	✓				
Formula	✓			✓	
Invention		✓			

WAGES

- ✓ Form W-2, Partnership Earnings subject to SE Tax, Schedule C
- ✓ Excludes 401(k) & benefits

SUPPLIES

- ✓ Input Costs/items consumed in R&D process

**65% OF
CONTRACT RESEARCH**

- ✓ Fees paid to outside consultants

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**Top 5 Reasons A&E
Firms are Underclaiming
the R&D Credit**

Top 5 Reasons A&E Firms Underclaim R&D

1

Contractors Supporting
Projects

2

Only Taking
Internal Projects

3

T&M NTE Contracts

4

Direct Support
Activities

5

Stat Sampling



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R&D Case Studies

Architecture and Engineering Firms – Increasing Credits

Business	Previous Result	New Credit	Increase
Structural Engineering Firm Annual Revenue - \$7 Million	\$46,000	\$206,000	347%
Multidisciplinary Architect Annual Revenue - \$8.8 Million	\$78,420	\$154,000	97%
MEP Engineering Firm Annual Revenue - \$13 Million	\$145,000	\$268,000	85%
Multi-disciplinary Engineering Firm Annual Revenue - \$51 Million	\$460,000	\$1,600,000	248%
Architectural Firm Annual Revenue - \$54 Million	\$582,101	\$785,000	35%
Architectural Planning and Design Firm Annual Revenue - \$92 Million	\$338,451	\$1,800,000	432%



Structural Engineering Firm

R&D Tax Credit: **Federal**

Annual Revenue: **\$7 MM**

Credit Result: **\$155,000**

- Conducting a systematic process through multiple project phases and achieved unique client stipulated functions and performance
- Delivering plan and elevation drawings that represented the final design to be issued for construction
- Identifying larger members that required additional fabrication and shipping, harboring the potential for construction delays



Architecture Firm

Annual Rev. **\$12,600,000**

Credit Result: **\$189,000** in Federal Credits

- Determining optimal design for site restrictions
- Developing planning and elevation drawings
- Developing schematic designs



Engineering Firm

Annual Rev. **\$21,000,000**

Credit Result: **\$240,000** in Federal Credits

- Developing innovative designs for bridges and roadway structures
- Determining alternative structural designs
- Creating or implementing environmental and sustainable designs
- Fluid dynamic analysis and design



Custom Wall & Glass Design Firm

R&D Tax Credit: **Federal**

Annual Revenue: **\$14 MM**

Credit Result: **\$310,000**

- New or improved methods for designing, fabricating, installing and/or maintaining the curtain wall
- Detecting glass deficiencies with infrared thermographic testing
- Developing software to draft prototypes, design 3-D models or track construction progress
- Fabricating a structural frame with composite materials

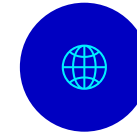
Thank You!

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