

product may be considered to be “mixture of alcohol and gasoline or of alcohol and a special fuel” within the meaning of section 40(b)(1)(B) if such product is produced in a chemical reaction between alcohol and either gasoline or a special fuel. Similarly a product may be considered to be a “mixture of alcohol and gasoline or of alcohol and a special fuel” if such product is produced by blending a chemical compound derived from alcohol with either gasoline or a special fuel.

Thus, for example, a blend of gasoline and ethyl tertiary butyl ether (ETBE), a compound derived from ethanol (a qualified alcohol), in a chemical reaction in which there is no significant loss in the energy content of the ethanol, is considered for purposes of section 40(b)(1)(B) to be a mixture of gasoline and the ethanol used to produce the ETBE, even though the ethanol is chemically transformed in the production of ETBE and is not present in the final product.

[T.D. 8291, 55 FR 8948, Mar. 9, 1990]

#### § 1.41-0 Table of contents.

This section lists the paragraphs contained in §§ 1.41-1 through 1.41-8 as follows:

##### *§ 1.41-1 Credit for increasing research activities.*

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##### *§ 1.41-2 Qualified research expenses.*

- (a) Trade or business requirement.
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##### *§ 1.41-3 Base amount for taxable years beginning on or after January 3, 2001.*

- (a) New taxpayers.
- (b) Special rules for short taxable years.
  - (1) Short credit year.
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##### *§ 1.41-4 Qualified research for expenditures paid or incurred in taxable years ending on or after December 31, 2003.*

- (a) Qualified research.
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  - (2) Requirements of section 41(d)(1).
  - (3) Undertaken for the purpose of discovering information.
    - (i) In general.
    - (ii) Application of the discovering information requirement.
    - (iii) Patent safe harbor.
  - (4) Technological in nature.
  - (5) Process of experimentation.
    - (i) In general.
    - (ii) Qualified purpose.
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  - (7) Use of computers and information technology.
  - (8) Illustrations.
  - (b) Application of requirements for qualified research.
    - (1) In general.
    - (2) Shrinking-back rule.
    - (3) Illustration.
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      - (1) In general.
      - (2) Research after commercial production.
        - (i) In general.
        - (ii) Certain additional activities related to the business component.
        - (iii) Activities related to production process or technique.
        - (iv) Clinical testing.
          - (3) Adaptation of existing business components.
          - (4) Duplication of existing business component.

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- (5) Surveys, studies, research relating to management functions, etc.
- (6) Internal use software for taxable years beginning on or after December 31, 1985. [Reserved].
- (7) Activities outside the United States, Puerto Rico, and other possessions.
  - (i) In general.
  - (ii) Apportionment of in-house research expenses.
  - (iii) Apportionment of contract research expenses.
- (8) Research in the social sciences, etc.
- (9) Research funded by any grant, contract, or otherwise.
- (10) Illustrations.
- (d) Recordkeeping for the research credit.
- (e) Effective dates.

*§ 1.41-5 Basic research for taxable years beginning after December 31, 1986.* [Reserved]

*§ 1.41-6 Aggregation of expenditures.*

- (a) Controlled group of corporations; trades or businesses under common control.
  - (1) In general.
  - (2) Definition of trade or business.
  - (3) Determination of common control.
  - (4) Examples.
- (b) Minimum base period research expenses.
- (c) Tax accounting periods used.
  - (1) In general.
  - (2) Special rule where timing of research is manipulated.
- (d) Membership during taxable year in more than one group.
- (e) Intra-group transactions.
  - (1) In general.
  - (2) In-house research expenses.
  - (3) Contract research expenses.
  - (4) Lease payments.
  - (5) Payment for supplies.

*§ 1.41-7 Special rules.*

- (a) Allocations.
  - (1) Corporation making an election under subchapter S.
    - (i) Pass-through, for taxable years beginning after December 31, 1982, in the case of an S corporation.
    - (ii) Pass-through, for taxable years beginning before January 1, 1983, in the case of a subchapter S corporation.
  - (2) Pass-through in the case of an estate or trust.
  - (3) Pass-through in the case of a partnership.
    - (i) In general.
    - (ii) Certain expenditures by joint ventures.
    - (4) Year in which taken into account.
    - (5) Credit allowed subject to limitation.
  - (b) Adjustments for certain acquisitions and dispositions—Meaning of terms.
    - (c) Special rule for pass-through of credit.
    - (d) Carryback and carryover of unused credits.

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*§ 1.41-8 Special rules for taxable years ending on or after January 3, 2001.*

- (a) Alternative incremental credit.
- (b) Election.
  - (1) In general.
  - (2) Time and manner of election.
  - (3) Revocation.
  - (4) Effective date.

[T.D. 8930, 65 FR 287, Jan. 3, 2001, as amended by T.D. 9104, 69 FR 26, Jan. 2, 2004]

**§ 1.41-1 Credit for increasing research activities.**

(a) *Amount of credit.* The amount of a taxpayer's credit is determined under section 41(a). For taxable years beginning after June 30, 1996, and at the election of the taxpayer, the portion of the credit determined under section 41(a)(1) may be calculated using the alternative incremental credit set forth in section 41(c)(4).

(b) *Introduction to regulations under section 41.* (1) Sections 1.41-2 through 1.41-8 and 1.41-3A through 1.41-5A address only certain provisions of section 41. The following table identifies the provisions of section 41 that are addressed, and lists each provision with the section of the regulations in which it is covered.

Section of the regulation	Section of the Internal Revenue Code
§ 1.41-2 .....	41(b).
§ 1.41-3 .....	41(c).
§ 1.41-4 .....	41(d).
§ 1.41-5 .....	41(e).
§ 1.41-6 .....	41(f).
§ 1.41-7 .....	41(f).
	41(g).
§ 1.41-8 .....	41(c).
§ 1.41-3A .....	41(c) (taxable years beginning before January 1, 1990).
§ 1.41-4A .....	41(d) (taxable years beginning before January 1, 1986).
§ 1.41-5A .....	41(e) (taxable years beginning before January 1, 1987).

(2) Section 1.41-3A also addresses the special rule in section 221(d)(2) of the Economic Recovery Tax Act of 1981 relating to taxable years overlapping the effective dates of section 41. Section 41 was formerly designated as sections 30 and 44F. Sections 1.41-0 through 1.41-8 and 1.41-0A through 1.41-5A refer to these sections as section 41 for conformity purposes. Whether section 41, former section 30, or former section 44F