



Unlocking R&D Credit Value through AI and Data Transformation

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Meet the Presenters



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Agenda

1. AI's impact on the R&D / Software Development function
2. R&D tax credit eligibility for AI activities
3. Reduce disruption in the process for computing and documenting R&D tax credits
4. Apply practical approaches to data and AI readiness of tax and R&D transformation initiatives
5. First steps in building future-ready tax processes

Objectives

Help organizations understand how AI and data transformation can:

- 1 Identify R&D tax credit eligible activities and costs associated with AI investments
- 2 Learn how to reduce disruption and strengthen R&D tax credit sustainability by leveraging AI and existing data and documentation
- 3 Understand a modern approach to data & AI readiness including best practices and design tenets

AI's Impact on the R&D Function



AI in R&D: The Headlines

Recent market commentary indicates organizations are reassessing workforce models and technology investment as AI adoption increases.

Workforce models under review

Several large technology and enterprise software firms have publicly announced role reductions and organizational restructuring over the past year.

AI investment accelerating

The same announcements frequently cite increased capital and operating spend on AI infrastructure and product development.

Implications for R&D

Shifting headcount and technology mix may change how qualifying research activity is identified, documented, and substantiated.

AI in R&D: Market Signals

Workforce Rebalancing

- Engineering headcount ↓, AI-enabled output ↑

Capital Reallocation

- Reduced payroll, increased AI/cloud spend

R&D Democratization

- Innovation shifting beyond traditional development teams

Velocity Over Scale

- Faster iteration with fewer specialized engineers

Takeaway

- AI changes both the activity profile and the cost profile of R&D



QRE Sources

AI changes where we look for costs and who we interview

1 Wage QREs



- Expect overall headcount reductions as AI replaces certain employees



- Seek new sources of employees participating in development by leveraging AI

2 Computer Rental QREs



- Cloud Hosting Services:
- AI may substantially increase computer rental costs
- AI may create new forms of costs that may constitute computer rental costs (Tokenization)
- How should cloud, compute, model training, inference, and token-based AI usage be evaluated under the computer rental QRE rules?

3 Contract Research QREs



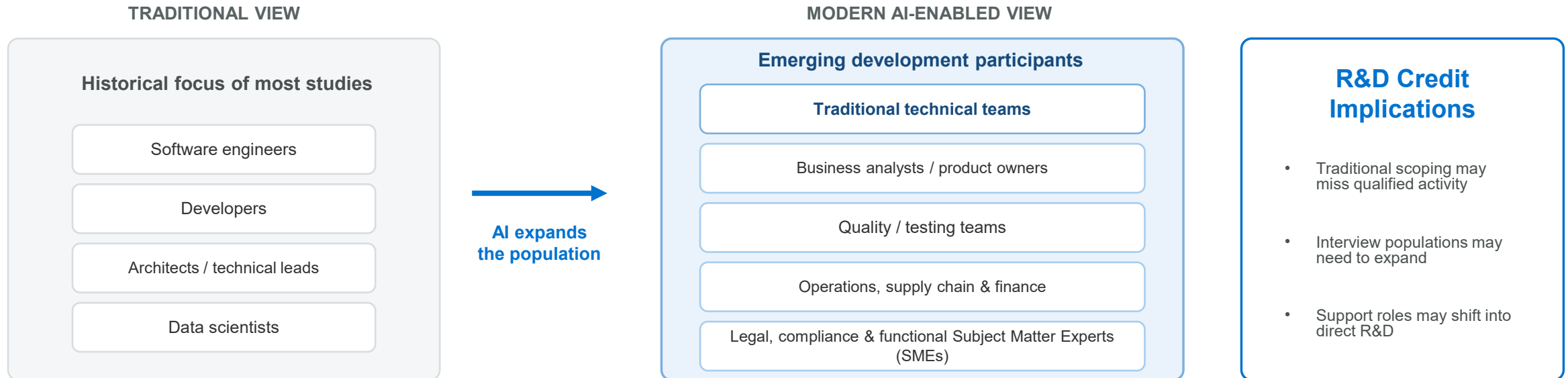
- Expect reduced headcount, but potential to capture new resources who are performing R&D under contract

4 Supply QREs

- Personal property consumed through R&D process (de minimis supplies, etc.)

AI's Democratization of Development

AI-enabled tools are moving development activity beyond traditional engineering teams — expanding who should be considered in the R&D credit process.



Key scoping question: Who is now developing, testing, configuring, or improving solutions through AI?

Takeaway: The opportunity may not be more engineering activity — it may be identifying new groups of employees now performing development through AI.

R&D Credit Eligibility for AI Activities



AI Investments & the Research & Development Tax Credit

Organizations across industries are investing heavily in artificial intelligence (AI) to solve complex technical problems. In many cases, these AI-driven initiatives may qualify for the Research and Development (R&D) tax credit

Why AI Aligns With the R&D Tax Credit

The work is often focused on creating new or improved products, processes, custom models, architectures, code generation, enhancing data-driven decision making, optimizing workflows, and tailoring customer experiences and services to improve performance, reliability, or significantly reduce cost.

AI development frequently involves technical uncertainty at the outset.

Teams engage in systematic experimentation, testing, and refinement.

Efforts are grounded in computer science, data science, and engineering.

When these characteristics are present, AI initiatives can represent a meaningful opportunity to offset technology investment costs through tax savings.

Subsidize AI Investments with R&D Tax Credits

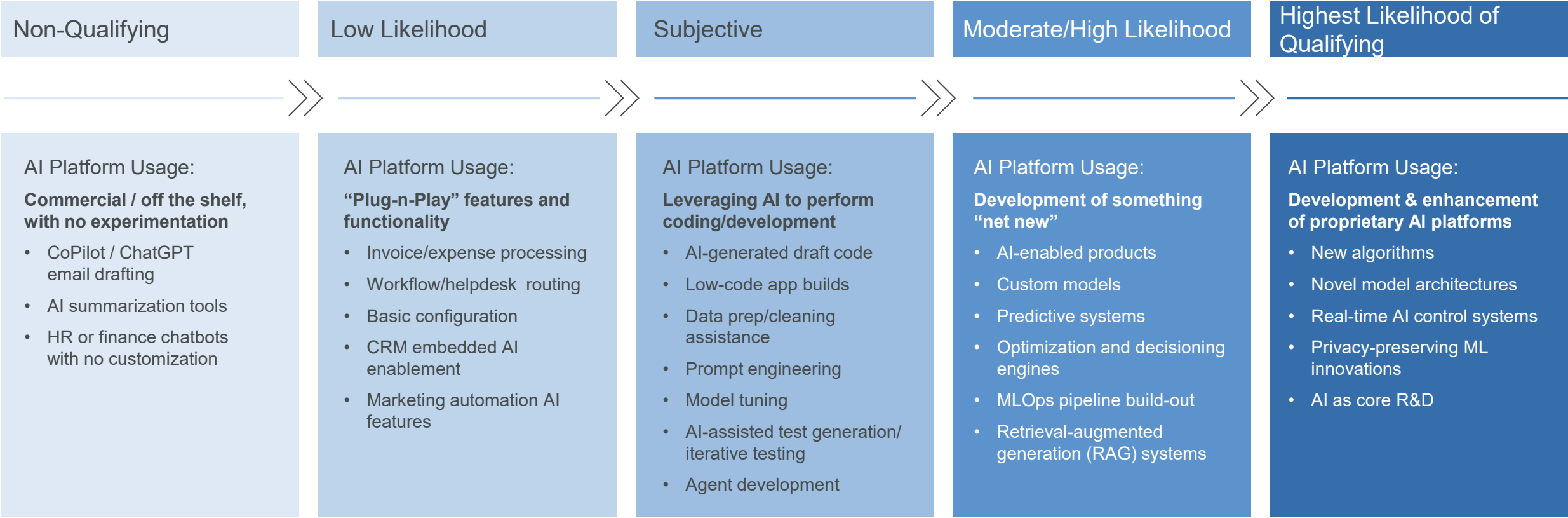
- Organizations are making significant investments in **AI** to improve products, processes, and develop software
- Opportunity lies in evaluating AI initiatives through the **existing IRC §41 framework**
- **What to evaluate:** activity, uncertainty, experimentation, technical discipline, and costs



AI Activities

Likelihood of Qualifying for R&D Credit

Using AI does not make an activity qualified; resolving technical uncertainty through experimentation does.



Using AI to Execute R&D Credit Studies: Benefits and Risks



Benefits of Using AI

Efficiency

- AI automates data intake and organizes project information, reducing manual tasks and saving time for professionals.

Scalable Data Handling

- AI processes large, complex datasets rapidly, supporting growth and multiple platforms with ease and speed.

Consistency and Standardization

- AI standardizes methodologies and documentation, improving comparability and review while strengthening study defensibility.



Risks of Using AI

Over-reliance on AI-generated output

- Quality-over-Quantity—narratives may sound polished but lack technical depth or substance
- Hallucination—risk of documentation that looks “right” but does not reflect actual facts
- IRS skepticism when language appears templated or artificially uniform

Lack of professional judgment

- AI cannot determine what *actually qualifies* under IRC §41
- Risk of accepting outputs without sufficient context, challenge, or verification

Substantiation and audit risk

- Misalignment between AI-produced narratives and source systems or financials
- Greater exposure if AI fills gaps or infers facts not supported by records
- IRS awareness of taxpayer AI usage—and potential use of AI to detect weaknesses

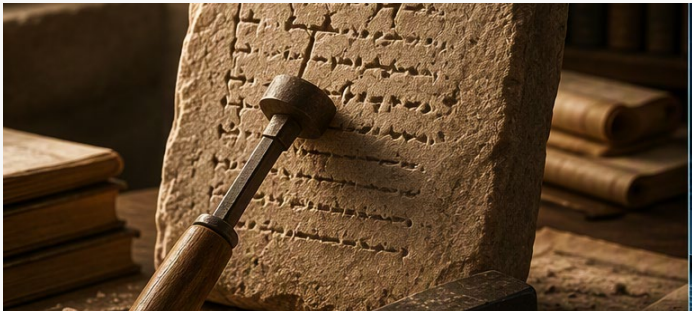


Benefits of Using AI

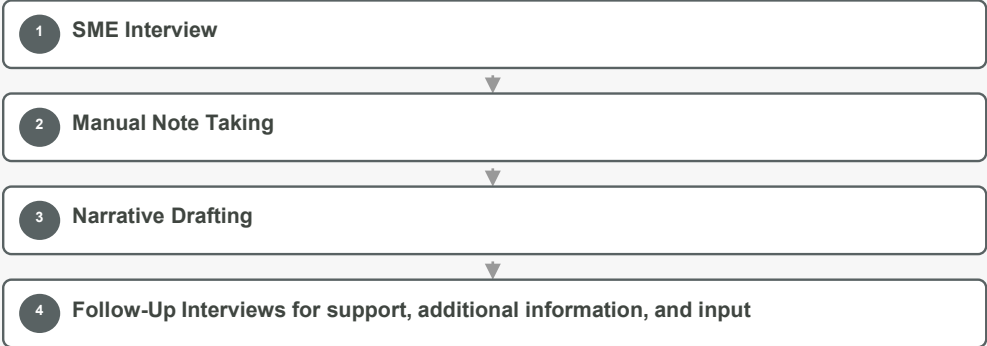
From “Chisel & Stone” to Technology-Enabled Documentation

The objective is not to eliminate SME input—it is to make SME time more focused, efficient, and fact-based.

Chisel & Stone Approach



Documentation built from recollection

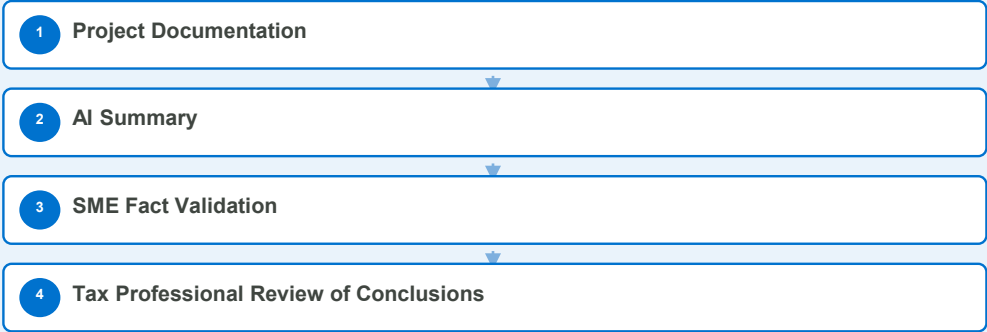


High disruption | Memory-dependent | Inconsistent evidence capture

AI-Assisted Approach



Documentation starts with evidence



5 Final Documentation

Less disruption | Evidence-driven | Human validation and judgment retained

AI accelerates documentation—SMEs validate the facts and tax professionals determine qualification.

Practical Data and AI Readiness Approaches



Why Tax Transformation

Tax departments are being asked to do more with less, while tax legislation is changing rapidly, and companies continue to expand globally. This combination of business events could increase risk exposure for an organization.

1

Enhanced Efficiencies

2

**Growing Complexity in
Regulatory
Environments**

3

**Data-Driven Analytics &
Decisions**

4

**Improved Business
Partnership**

Forvis Mazars Tax Transformation Services

Enterprise decision layer services that make tax data, automation, analytics, and AI work at scale.

We help clients create a governed enterprise decision layer—a common business model above ERPs, subledgers, tax systems, and operational platforms—so tax logic, reporting, automation, and AI all operate from the same trusted context.



Tax data strategy & governance

Inventory data sources, ownership, controls and readiness for transformation.



Enterprise semantic layer

Define common tax business objects, attributes, relationships and hierarchies.



Source system integration

Connect ERP tables, subledgers, tax engines, BI, data lakes and cloud platforms.



Scalable tax logic

Move calculations, rules and adjustments into governed reusable logic.



Workflow & operating model

Redesign processes, handoffs, approvals, controls and execution roadmaps.



Analytics & AI enablement

Create trusted context for dashboards, automation, agents and decision support.



Key client benefits

- Enable your priority tax outcomes
- Reduce manual reconciliation
- Standardize definitions and logic
- Accelerate speed to value
- Enable tax AI use cases
- Preserve existing systems of record

You do not need to replace your ERP, warehouse or tax systems to modernize decision-making. You need a common business layer above them.

Building a Data & AI Foundation for R&D

Understanding all three layers of a data and AI strategy is what can help make the R&D function more defensible, scalable, and AI-ready—and each layer builds on the one below.

3



AI Intelligence Layer

Adds AI intelligence on top of trusted data—generating identifiers, surfacing anomalies, and flagging qualifying R&D activity for review.

2



Data Management & Calculations

Applies data transformations and calculations that enable your tax process, turning raw inputs into analysis-ready figures.

1



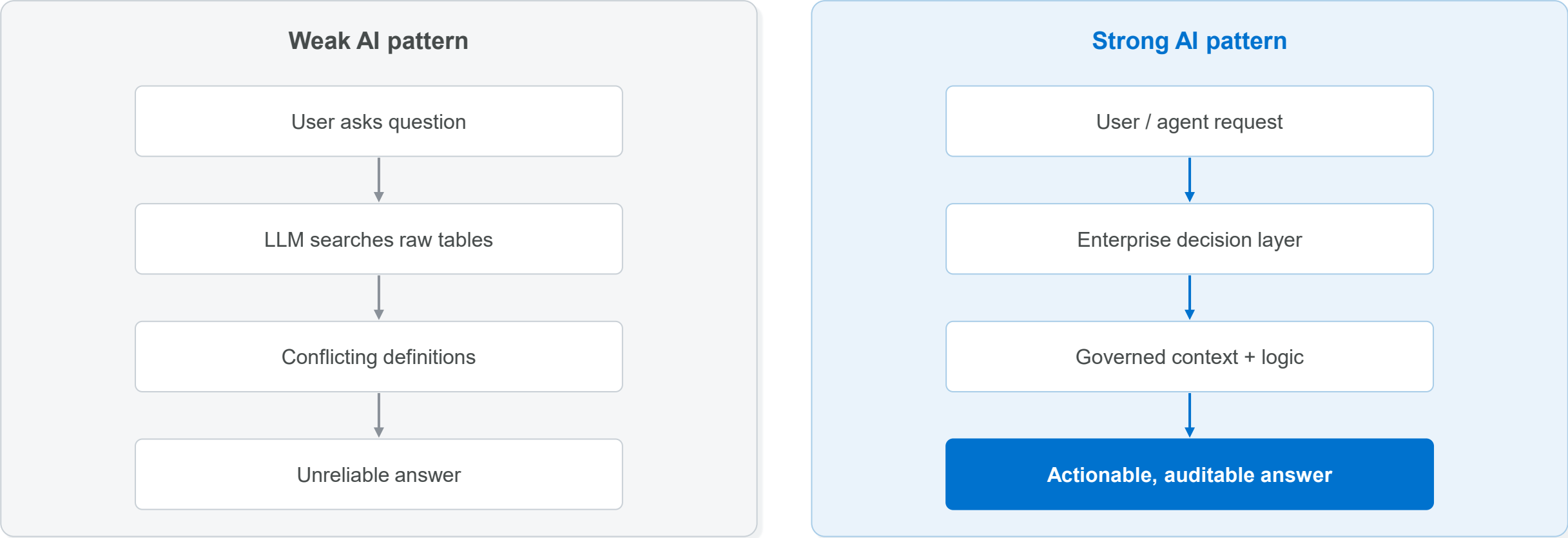
Data Foundation

The data platform, storage, and source inputs that consolidate every R&D data source into one reliable base.

The AI Approach

Governed context is a prerequisite for trustworthy enterprise AI

AI cannot reliably reason against raw tables, inconsistent definitions, and disconnected systems. AI generally needs a governed representation of business meaning.



It's important to create the context layer that AI needs before it can generate insight, trigger workflow, or recommend action with appropriate governance and review.

AI and R&D Approach

We use our experience to help create value.



- R&D specialists
- R&D compliance-focused strategy
- Global presence
- Progressive in R&D uses of AI
- Help reduce business disruption

- Experienced in developing and building data strategies
- Utilizing modern data approach
- Application of AI solutions
- Value-driven transformation

- End-to-end R&D compliance process
- Real-time analytics
- Application of AI
- Future-ready data design

Recommended Next Steps

A few key first steps to get started on your R&D and AI journey.

1

Identify Your Data & AI Leader

Identify the CDO, CDAO, or executive responsible for Data & AI strategy to pinpoint qualifying AI activities.

2

Engage executive stakeholders

Enlist sponsors for the AI journey—newly qualifying R&D credits or embedding AI in the R&D execution process.

3

Quantify the value

Build a strong value story for this space.

4

Connect the broader strategy

Connect to your organization's broader data and AI strategy.

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