

IDR RESPONSE FILE

Research Credit Substantiation

Sample Technology Company, Inc.

Tax Years 2024-2025

Prepared by:



Publication Sample

Credit and Supporting Documentation Summary

Sample Technology Company, Inc. | Tax years 2024–2025

Issue: Credit for Increasing Research Activities under Internal Revenue Code §41

The documents indexed below support the taxpayer's research credit calculations, qualified research expenditures, qualified business components, and related factual determinations for the tax years identified above.

1. Credit and QRE Summary

Tax Year	Qualified Wages	Qualified Supplies	Allowable Contract Research	Total QREs	Federal Credit
2025	\$730,692	\$137,164	\$54,325	\$922,181	\$92,218
2024	\$133,917	\$61,997	\$454,189	\$650,103	\$65,010

QREs = qualified research expenditures. Detailed calculations and reconciliations are indexed in Section 3.

2. Document Index

Bates / Document ID	Description	Relevant Issue
RDC-0001–0008	Forms 6765, credit calculations, QRE reconciliations, §280C and related return workpapers	Credit computation / reported QREs
RDC-0100–0199	Payroll reports, employee wage reconciliation, employee allocation worksheet and supporting records, available time/project records	Qualified wages / qualified services
RDC-0200–0299	Contractor population, agreements, invoices, GL support, nexus analysis, contract-research limitation	Contract research
RDC-0300–0399	Supply detail, general-ledger support, invoices, allocation support, project nexus	Qualified supplies
RDC-0400–0799	Business-component files, technical records, design/prototype evidence, testing records, iteration evidence	Qualified research / four-part test
RDC-0800–0899	Technical interviews, questionnaires, employee allocation testimony, interview support	Testimony / factual support
RDC-0900–0999	Patent, grant, certification, validation, and other corroborating contemporaneous records	Corroborating evidence

Publication scope

This public sample shows the organization and summarized analysis of the response file. Underlying source records are omitted; publication modifications are explained on the following page.

Publication Scope and Calculation References

About this publication sample

This document is a publication sample intended to demonstrate the organization of an issued IDR Response File. The following changes have been made solely for publication:

Anonymization and generalized descriptions. The taxpayer name, employee names, contractor names, vendor names, and business-component names have been anonymized. Certain technical descriptions have been generalized to prevent identification of the taxpayer while preserving the nature of the substantiation.

Underlying records. Underlying source documents are not reproduced in this public sample. In an issued file, the allocation worksheets and source records actually obtained for the engagement - such as payroll reports, general-ledger detail, contractor contracts/SOWs, available time records, prototypes, mockups, photographs, technical records, and interview materials - would be included behind the applicable index entry.

Publication-only labels. Labels such as 'Representative source document omitted from publication sample' appear only in this publication version and would not appear in an issued response file. Except for the publication modifications above, the sections that follow are presented in the form of the indexed substantiation package maintained for the taxpayer.

3. Credit Calculation and QRE Workpapers

Document ID	Document
RDC-0001	2025 pro forma Form 6765
RDC-0002	2024 pro forma Form 6765
RDC-0003	2025 QRE category reconciliation
RDC-0004	2024 QRE category reconciliation
RDC-0005	Federal research-credit calculation / ASC workpaper
RDC-0006	§280C adjustment workpapers
RDC-0007	Payroll tax credit workpaper, if applicable
RDC-0008	State research-credit workpapers

Supporting document references

RDC-0001 and RDC-0002 identify the pro forma Forms 6765. RDC-0003 and RDC-0004 identify the corresponding QRE category reconciliations.

4. Qualified Wage Expenditures

For 2025, the taxpayer reported \$730,692 of qualified wage expenditures. The employee population, wage base, qualified-services percentage, and principal research nexus are summarized below. Supporting payroll and employee-specific substantiation are indexed immediately following the schedule.

Employee	Role	2025 Wages	Qualified %	Principal Research Nexus
Employee A	Analyst	\$56,614	20%	Integrated Hardware Platform; Advanced Treatment Module
Employee B	Chief Science Officer	\$86,231	100%	Multiple hardware, controls, and sensing components
Employee C	UI Designer	\$82,336	80%	Customer Software Application
Employee D	COO	\$110,000	80%	Allocated across seven qualified components
Employee E	Marketing	\$44,008	20%	Limited direct support of two qualified hardware components
Employee F	Mechanical Engineer	\$57,000	100%	Integrated Hardware Platform; Advanced Treatment Module
Employee G	Firmware Engineer	\$225,000	100%	Hardware, controls, network, software, treatment, and sensing components
Employee H	Machine Learning Engineer	\$150,000	100%	All eight qualified components

Supporting payroll and allocation records

Document ID	Supporting Document
RDC-0100	2025 payroll source report
RDC-0101	Payroll-to-qualified-wage reconciliation
RDC-0110-0117	Employee allocation worksheet - employee × business component
RDC-0120-0149	Time sheets or other contemporaneous project records, when available
RDC-0150-0159	Employee interview support; cross-reference to RDC-0800 series

Publication sample: the source records listed above are not reproduced in this public version.

Reconciliation reference

RDC-0101 is the payroll-to-qualified-wage reconciliation. Employee-specific allocation worksheets are indexed at RDC-0110-0117; interview support is indexed at RDC-0150-0159 and in Section 8.

5. Contract Research Expenditures

The 2025 contractor population included technical research services and nonqualified services. Approximately \$249,978 of contractor spend was reviewed. Costs without sufficient nexus to qualified research were excluded. Qualified contract-research costs were subjected to the applicable statutory limitation, resulting in \$54,325 of allowable contract-research QRE.

Contractor	Service	Treatment	Research Nexus
Contractor C	Research engineering	Qualified	Integrated Hardware Platform
Contractor D	Research / simulation engineering	Qualified	Integrated Hardware Platform
Contractor E	Mechanical engineering	Qualified	Hardware, treatment, and sensing components
Contractor F	Prototype installation labor	Qualified	Hardware and treatment prototypes
Contractor A	Foreign UI engineering	Excluded	No allowable U.S. contract-research QRE
Contractor B	Foreign front-end engineering	Excluded	No allowable U.S. contract-research QRE
Market Research Vendors	Market research	Excluded	Nonqualified activity
Executive Coaching Vendors	Executive coaching	Excluded	Nonqualified activity
Fractional Finance Vendors	Finance / CFO services	Excluded	Nonqualified activity

Excluded expenditures and calculation adjustments

Nonqualified-vendor exclusion schedule: RDC-0280.

Contract-research statutory limitation workpaper: RDC-0281.

Supporting contractor records

Document ID	Supporting Document
RDC-0200	Contractor population and QRE calculation
RDC-0201	Contractor allocation worksheet - contractor × business component
RDC-0210–0239	Contractor contracts / statements of work
RDC-0240–0279	Contractor invoices and related GL support
RDC-0280	Nonqualified-vendor exclusion schedule
RDC-0281	Contract-research statutory limitation workpaper

Publication sample: the source records listed above are not reproduced in this public version.

6. Qualified Supply Expenditures

For 2025, approximately \$171,391 of research-related material costs were reviewed and \$137,164 was included as qualified supply expense. Where materials had mixed research and nonresearch use, only the portion attributable to qualified research was included.

Supply Population	Cost Reviewed	Qualified %	Qualified Amount	Research Nexus
Prototype installation materials	\$255	100%	\$255	Integrated Hardware Platform
Research materials purchased	\$171,136	80%	\$136,909	Integrated Hardware Platform; Advanced Treatment Module
Total	\$171,391		\$137,164	

Allocation scope

Materials with mixed research and nonresearch use were included only to the extent attributable to qualified research. The supply allocation worksheet is indexed at RDC-0380.

Supporting supply records

Document ID	Supporting Document
RDC-0300	Supply population and QRE schedule
RDC-0310-0339	General ledger detail
RDC-0340-0379	Additional invoice support for large or unusual supply items, when obtained
RDC-0380	Supply allocation worksheet - cost × business component

Publication sample: the source records listed above are not reproduced in this public version.

7. Qualified Business Components and Technical Substantiation

The taxpayer identified the following business components for the tax years under examination. The component-specific files contain the project analysis, the applicable allocation schedules, and the contemporaneous technical evidence obtained during the study.

Component File	Business Component	Conclusion	Principal Supporting Evidence
RDC-0400 series	Integrated Hardware Platform	Qualified	Prototypes, mockups, photographs, design materials, testing records, modeling outputs, and other technical evidence obtained
RDC-0450 series	Automated Controls Platform	Qualified	Mockups, photographs, design/configuration materials, test data, and other technical evidence obtained
RDC-0500 series	Connected Device Network	Qualified	Architecture/configuration materials, test results, screenshots/photos, and other technical evidence obtained
RDC-0550 series	Customer Software Application	Qualified - technical development only	Technical software/integration materials, screenshots/mockups, testing records, and other technical evidence obtained; routine UI work excluded
RDC-0600 series	Advanced Treatment Module	Qualified	Prototypes, photographs, design materials, performance/safety testing, and other technical evidence obtained
RDC-0650 series	Distributed Sensor & Control Units	Qualified	Prototype/mockup materials, photographs, test records, and other technical evidence obtained
RDC-0700 series	Controlled Validation Environment	Qualified - development costs only	Photographs, configuration materials, instrumentation/calibration records, testing records, and other technical evidence obtained
RDC-0750 series	Integrated Sensing Subsystem	Qualified	Prototype materials, photographs, calibration/testing records, and other technical evidence obtained

Scope of conclusions

The Customer Software Application conclusion is limited to technical development; routine UI work is excluded. The Controlled Validation Environment conclusion is limited to development costs.

7.1 Integrated Hardware Platform

Component Index

Issue

Qualification of the Integrated Hardware Platform activities and the connection of the associated personnel and expenditures to the component.

Factual findings

The taxpayer developed and evaluated multiple hardware configurations over a multi-year period. The records indexed below support the identified technical uncertainty, alternative designs evaluated, testing performed, changes made in response to results, and the personnel and expenditures associated with the component.

Conclusion

Qualified, as summarized in Section 7. The business-component factual summary and qualification analysis are indexed at RDC-0400.

Supporting documents

Document ID	Document / Evidence
RDC-0400	Business-component factual summary and qualification analysis
RDC-0401-0409	Prototypes, mockups, photographs, drawings, specifications, or configuration materials obtained
RDC-0410-0419	Testing records, modeling outputs, photographs, or other technical results obtained
RDC-0420-0429	Available records showing design changes or iterations in response to testing/modeling
RDC-0430	Employee / contractor allocation worksheet
RDC-0431	Business-component allocation worksheet - wages, supplies, and contractors
RDC-0440-0449	Related corroborating patent, grant, certification, or validation records

Publication sample: the source records listed above are not reproduced in this public version.

The index distinguishes design materials, testing results, subsequent iterations, personnel allocations, and component-level cost allocations.

8. Technical Interviews and Testimony

The following interview and questionnaire records support factual determinations regarding technical uncertainty, experimentation, employee activities, project involvement, and expenditure nexus where those facts are not fully reflected in contemporaneous written records.

Document ID	Record
RDC-0800	Interview participant roster
RDC-0810-0839	Technical interview notes / completed questionnaires by business component
RDC-0840-0869	Employee-allocation interview support
RDC-0870-0889	Contractor / project interview support, where applicable

Publication sample: the source records listed above are not reproduced in this public version.

9. Additional Corroborating Records

Document ID	Record
RDC-0900-0929	Patent materials relevant to technical development
RDC-0930-0959	Grant applications / technical submissions
RDC-0960-0979	Certification / validation materials
RDC-0980-0999	Other contemporaneous technical records, emails, presentations, or third-party documentation

Publication sample: the source records listed above are not reproduced in this public version.

Publication scope

Index entries identify the organization of the supporting file. They do not reproduce the underlying evidence in this public sample. In an issued file, source records actually obtained for the engagement would appear behind the applicable index entry.