

## Credits/Incentives:

### Texas: New Law Replaces Existing R&D Credit and Exemption with New R&D Franchise Tax Credit

S.B. 2206, signed by gov. 6/22/25. Effective as January 1, 2026, recently enacted legislation significantly changes Texas' research and development (R&D) tax credit and exemption by repealing the current option of claiming either a i) Texas R&D franchise tax credit, or ii) sales and use tax exemption related to the purchase, lease, rental, storage, or use of depreciable tangible personal property in R&D activities, and replacing it with an entirely new Texas R&D franchise tax credit. The newer Texas R&D franchise tax credit includes an increased rate on the excess qualified research expenses ("QREs") incurred in the current year over the base amount, and the legislation generally defines QREs as the qualified related expenses reported on line 48 of Federal Form 6765 and performed in Texas.

**URL:** <https://capitol.texas.gov/BillLookup/actions.aspx?LegSess=89R&Bill=SB2206>

See recently issued Multistate Tax Alert for more details on Texas' new R&D credit, and please contact us with any questions.

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