Dental Accounting Group
THE NEW STANDARD OF CARE FOR YOUR DENTAL PRACTICE

R&D Tax Credits

Fact Sheet

Should Your Dental Practice Claim the R&D Tax Credit?

What's Going On?

Tax credit consultants are telling dentists they can get big tax refunds by claiming the Research & Development (R&D) tax credit. They say things like "You use a CEREC machine? That's R&D!" or "You have a 3D printer? You qualify!" This is almost always wrong for general dental practices.

What Does the IRS Actually Require?

Every R&D credit claim must pass ALL four tests applied to each business component:

Section 174 Test: Expenditures must eliminate uncertainty in developing or improving a product, process, or formula.

You must be trying to figure out something unknown. Not "unknown to you"—unknown to your field. Learning how to use equipment the manufacturer already perfected doesn't count.

Technological in Nature: Research must rely on hard sciences (engineering, physics, chemistry, biology, computer science).

Your work must be based in science or engineering. This means physics, chemistry, biology, or computer science—not just using technology someone else invented.

Business Component Test: Research must develop new or improved functionality, performance, reliability, or quality.

You must be creating something new or significantly better. Making a crown for a patient isn't creating something new—you're applying existing technology to that patient's mouth.

Process of Experimentation: 80%+ of activities must involve systematic hypothesis testing, analysis, refinement, and retesting.

You must run real experiments. This means forming a theory, testing it, analyzing results, adjusting your theory, and testing again. Following manufacturer instructions isn't experimenting.

Should Your Dental Practice Claim the R&D Tax Credit?

Real World Example:

Dental practitioners learning to use commercially available equipment (CEREC milling machines, 3D printers, Etc.)

Dental practitioners learning to use commercially available equipment does not meet the four-part test under IRS scrutiny:

- **No Technical Uncertainty:** The manufacturer has already resolved how the equipment works. You're following established protocols, not discovering new information. You didn't invent the machine. Dentsply Sirona (CEREC) and 3D printer manufacturers already figured out how it works. You're a user, not a researcher.

- **No Process of Experimentation:** Learning a machine's software, calibrating settings per manufacturer specs, or creating crowns using CAD/CAM is application—not hypothesis-driven experimentation. Following software prompts isn't experimenting. Scanning a patient, designing a crown in the software, and milling it is skilled work, but it's not R&D.

- **Adaptation Exclusion Applies:** Creating custom restorations for individual patients is adapting an existing business component to customer needs is explicitly excluded under §41(d)(4)(B). The IRS calls this "adaptation." You're adapting existing technology to individual patients. That's dentistry, not research.

- **Routine Clinical Practice:** Daily dental procedures (cleanings, fittings, crown fabrication) are standard practice, not R&D activities. Getting better at using equipment over time is professional development. The R&D credit isn't meant to subsidize training.

Should Your Dental Practice Claim the R&D Tax Credit?

What the Courts Have Said

Siemer Milling Co. v. Commissioner (T.C. Memo. 2019-37): Credits denied—no evidence of "methodical plan involving a series of trials to test a hypothesis, analyze data, refine hypothesis, and retest." They lost because they couldn't prove they did real scientific experiments—they just tried things and adjusted.

Union Carbide Corp. v. Commissioner (T.C. Memo. 2009-50, aff'd 2d Cir. 2012): Established that process of experimentation requires systematic evaluation—not merely using equipment or following instructions. They lost because using materials during production isn't the same as research.

Phoenix Design Group v. Commissioner (T.C. 2024): Credits denied for lack of documentation linking activities to technical uncertainties and experimentation process.

United States v. McFerrin (5th Cir. 2009): Experimentation requires: (1) identifying uncertainty, (2) identifying alternatives, (3) evaluating through modeling, simulation, or systematic trial-and-error.

The Real Risk to You

If you claim this credit and get audited, you'll likely have to pay back the refund, plus interest, plus possible penalties of 20-40% of the underpayment. The consultant who sold you the study? They're long gone with their fee.

Starting in 2026, the IRS requires detailed project-level reporting. You'll need to name specific researchers, describe exact experiments, and document what scientific uncertainty you eliminated. General dentistry can't meet these requirements.

The Bottom Line

If a consultant promises you easy R&D credits for using dental equipment, be very skeptical.

Ask them: "What specific scientific uncertainty am I eliminating that the equipment manufacturer didn't already solve?"

If they can't give you a clear answer, walk away. The IRS is actively auditing these claims, and you—not the consultant—are the one who signs the return.