

SUPPORTING STATEMENT
REG-105170-97 and REG-112991-01

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 41 of the Internal Revenue Code of 1986 allows a credit for increasing research activities (research credit). Generally, the credit is equal to 20 percent of the excess of the current year qualified research expenses over a base amount.

The final regulations provide rules for electing and revoking the election of the alternative incremental research credit regime. The alternative incremental research credit is allowed as an election under §41(c)(4). Section 1.41-8 of the regulations provides that the election is made on Form 6765, Credit for Increasing Research Activities, and that the completed form must be attached to the taxpayer's timely filed original return (including extensions) for the taxable year to which the election applies. In addition, §1.41-8 of the regulations provides that the election of the alternative incremental research credit may not be revoked except with the consent of the Commissioner.

2. USE OF DATA

The data will be used by the Internal Revenue Service to determine (1) if the taxpayer is entitled to the research credit for certain activities and (2) if the taxpayer should be granted consent to revoke an election of the alternative incremental research credit.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

Not applicable.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

A notice of proposed rulemaking (REG-105170-97) was published in the **Federal Register** on December 2, 1998,(63 FR 66503). A public hearing was held on April 29, 1999. The final regulations were published in the **Federal Register** on January 3, 2001 (66 FR 280). Another notice of proposed rulemaking (REG-112991-01) was published in the **Federal Register** on December 26, 2001 (66 FR 66362). A public hearing was held on March 27, 2002. The final regulations were published in the Federal Register on January 2, 2004 (69 FR 22).

We received no comments during the comment period in response to the **Federal Register** notice (75 FR 15487), dated March 29, 2010.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The final regulations provide rules for electing and revoking the election of the alternative incremental research credit regime. The alternative incremental research credit is allowed as an election under §41(c)(4). Section 1.41-8 of the regulations provides that the election is made on Form 6765, Credit for Increasing Research Activities, and that the completed form must be attached to the taxpayer's timely filed original return (including extensions) for the taxable year to which the election applies. The burden for the election contained in §1.41-8(b)(2) of the regulations is reflected in the burden of Form 6765.

Section 1.41-8(b)(3) of the regulations also provides that the election of the alternative incremental research credit may not be revoked except with the consent of the Commissioner. We estimate that 5 taxpayers a year will request consent to revoke their alternative incremental research credit elections and that it will take an average of 50 hours per respondent to complete a request for consent to revoke the election of the alternative incremental research credit. The total annual burden for the revocation of the alternative incremental research credit is 250 hours.

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated March 29, 2010, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.