

SUPPORTING STATEMENT
OMB No. 1545-1503

1. **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 482 of the Internal Revenue Code (26 U.S.C. § 482) allows the Secretary of the Treasury to reallocate income between related organizations if necessary to prevent tax evasion or to clearly reflect income. Section 482 also requires that the income associated with the transfer of intangible property be commensurate with the income attributable to the intangible property. Treasury Regulation 1.482-1 provides an “arm’s length” standard, under which the transfer of goods and services between related parties should be valued at a price that would have been negotiated between unrelated parties for the same transaction. Under this revenue procedure, taxpayers can apply for advance agreements with the Internal Revenue Service about how to compute such “arm’s length” transfer prices. The Service requires information from Taxpayers in order to negotiate these agreements and to verify compliance with any agreements reached.

2. **USE OF DATA**

The data will be used by the Service to determine the best method of computing “arm’s length” prices, and to verify compliance with advance pricing agreements.

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)**

In some cases, more than an original and two copies of information are required because many different officials in the Service must carefully review the material.

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

Revenue Procedure 96-53 was published in the Internal Revenue Bulletin on December 2, 1996 (Revenue Procedural 96-53, 1996-49 I.R.B. 9).

On July 1, 2004, the Service updated and superseded Rev. Proc. 96-53 by issuing Rev. Proc. 2004-40, 2004-2 C.B. 50.

On January 9, 2006, the Service again updated the procedural rules with the release of Rev. Proc. 2006-9, 2006-1 C.B. 278 superseding Rev. Proc. 2004-40.

On June 9, 2008 Rev. Proc. 2008-31 modifies Rev. Proc. 2006-9, IRB 2008-23.

In response to the *Federal Register* notice dated April 5, 2012 (77 FR 20694), we received no comments during the comment period regarding Revenue Procedure 2006-9 and 2008-31.

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

Not applicable.

10. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Submissions under this revenue procedure are considered tax returns and tax return information, which are confidential as required by 26 USC 6103.

11. **JUSTIFICATION OF SENSITIVE QUESTIONS**

Not applicable.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

This Revenue Procedure involves three types of information.

Section 3.06 concerns information submitted before optional prefilling conferences. We estimate that 70 taxpayers will make such submissions. The estimated burden per respondent for recordkeeping/reporting is from 5 to 20 hours, with an average burden of 10

hours, for a total estimated burden of 700 hours.

Sections 4, 7.03 and 11.01 concern information submitted in filing an application for an initial or renewal Advance Pricing Agreement. We estimate that 90 taxpayers will make such submissions. The estimated burden per respondent for recordkeeping/reporting is from 20 to 150 hours, with an average burden of 50 hours, for a total estimated burden of 4,500 hours.

Sections 11.01, 11.02(1), 11.04, and 10.05 concern information submitted for, and recordkeeping requirements in connection with, annual reports to verify compliance with an Advance Pricing Agreement, and information submitted to verify an Advance Pricing Agreement's continuing validity or need for revision. We estimate that 200 taxpayers will make such submissions. The estimated recordkeeping/reporting burden per respondent is from 5 to 30 hours, with an average burden of 15 hours, for a total estimated burden of 3,000 hours.

The number of respondents is 360 and the total burden on all taxpayers described in the three preceding paragraphs is 8,200 hours.

Section	#Respondents	#Responses Per Respondent	Annual Responses	Hours Per Response	Total Burden
Sec. 3.06 Prefiling Conference	70	1	70	10	700
Secs. 4, 7.03, 11.01 APA Application	90	1	90	50	4,500
Secs. 11.01, 11.02(1), 11.04, 10.05 Recordkeeping (verify compliance)	200	1	200	15	3,000
Totals			360		8,200

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

13. **ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As Suggested by OMB, our *Federal Register* notice dated April 5, 2012, 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 to 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 revenue procedure 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.