

SUPPORTING STATEMENT

Credit for Increasing Research Activity

TD 8251

OMB Control Number 1545-0732

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 41 (section 44F before amendment by the Tax Reform Act of 1984, and section 30 before amendment by the Tax Reform Act of 1986) of the Internal Revenue Code of 1986 (Code) allows a tax credit for incremental expenditures for certain research activities. The credit (before the amendment of section 41 by the Revenue Reconciliation Act of 1989) equals 20 percent of the excess of the current year's "qualified research expenses" over the average expenses for the prior three years (Code section 41(a)). However, the credit cannot exceed 10 percent of the current year's qualified research expenses (Code section 41(c)(3)).

Section 41(f) provides that commonly controlled groups of taxpayers shall compute the credit as if they are a single taxpayer. The credit allowed to a member of the group is a portion of the group's credit.

A taxpayer may be a member of more than one of these groups at the same time. Section 1.41-8(d) allows a taxpayer that is a member of more than one controlled group to elect the group with which it will be aggregated. This rule avoids the necessity of multiple computations, that is, one computation for each group in which the taxpayer could be aggregated. In addition, the taxpayer and other members of groups in which the taxpayer could be aggregated will be able to compute their credit with certainty, because they will know with certainty the members of each group.

2. USE OF DATA

The data is used by the Service and taxpayers to verify that the proper amount of tax is reported or excluded.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS publication, 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**

We have been unable to reduce the burden of small businesses.

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

If the IRS did not collect this information, the IRS would not be available to assist in verifying that the proper amount of tax is reported or excluded.

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

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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

These regulations were published in the *Federal Register* as a Notice of Proposed Rulemaking on January 21, 1983 (48 FR 2790). A public hearing was held on April 19, 1983. Final regulations (TD 8251) were published in the *Federal Register* on May 17, 1989 (54 FR 21204).

In response to the *Federal Register* notice dated September 28, 2016 (81 FR 66738), we received no comments during the comment period regarding TD 8251.

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

No payment or gift has been provided to any respondents.

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**

No personally identifiable information (PII) is collected.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

Section 1.41-8(d) permits certain corporations to designate which controlled group the corporation will be aggregated with for purposes of section 41(f). No more than 250 corporations will file the election to designate their controlled group. It is estimated that it will take no more than 15 minutes to gather the information and complete this election. The estimated total burden for section 1.41-8(d) is 63 hours.

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

There is no start-up cost associated with this collection.

14. **ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

There are no known annualized costs to the federal government.

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**

There are no plans for tabulation, statistical analysis, and publication.

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**

There are no exceptions to the certification statement for this collection.

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.