

**SUPPORTING STATEMENT**  
Internal Revenue Service  
Methods to Determine Taxable Income in connection with a  
Cost Sharing Arrangement - IRC Section 482  
OMB # 1545-1364

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The purpose of Internal Revenue Code (IRC) section 482 is to ensure taxpayers clearly reflect income attributable to controlled transactions and to prevent avoidance of taxes regarding such transactions. IRC section 482 places a controlled taxpayer on a tax parity with an uncontrolled taxpayer by determining true taxable income.

TD 9568 (76 FR 80082) published December 22, 2011, contained final regulations regarding methods to determine taxable income in connection with a cost sharing arrangement under section 482 of the Internal Revenue Code (Code). The final regulations address issues that had arisen in administering the cost sharing regulations. The final regulations affect domestic and foreign entities that enter into cost sharing arrangements described in the final regulations.

2. USE OF DATA

The information will be used to administer and enforce section 482 of the Internal Revenue Code. Responses to the collections of information are required by the IRS to monitor compliance of controlled taxpayers with the provisions applicable to cost sharing arrangements.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS intends to offer electronic filing to the extent it is practicable however in this case it isn't practicable because of the evaluative nature of the determination.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

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

There is minimal to no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

The purpose of IRC section 482 is to ensure taxpayers clearly reflect income attributable to controlled transactions and to prevent avoidance of taxes regarding such transactions.

Failure to collect and retain the information outlined in the regulations will complicate the taxpayer's ability to receive the proper tax credit and the IRS's ability to verify its' accuracy and hinder the IRS from meeting its mission.

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

A notice of proposed rulemaking and notice of public hearing regarding additional guidance to improve compliance with, and administration of, the rules in connection with a cost sharing arrangement (CSA) were published in the Federal Register (70 FR 51116) (REG–144615–02) on August 29, 2005 (2005 proposed regulations). A correction to the notice of proposed rulemaking and notice of public hearing was published in the Federal Register (70 FR 56611) on September 28, 2005.

A public hearing was held on December 16, 2005. The Treasury Department and the IRS received numerous comments on a wide range of issues addressed in the 2005 proposed regulations. In response to these comments, temporary and proposed regulations were published in the Federal Register (74 FR 340–01 and 74 FR 236–01) (REG–144615–02) on January 5, 2009 (2008 temporary regulations). Corrections to the 2008 temporary regulations were published in the Federal Register on February 27, 2009 (74 FR 8863–01), March 5, 2009 (74 FR 9570–01, 74 FR 9570–02, and 74 FR 9577–01), and March 19, 2009 (74 FR 11644–01). A public hearing was held on April 21, 2009.

The Treasury Department and the IRS received comments on a range of issues addressed in the 2008 temporary regulations. TD 9568 (76 FR 80082), published December 22, 2011, made several changes to the 2008 temporary regulations in response to these comments. In addition, several editorial clarifications were made. These regulations adopt the effective date and transition rules under the 2008 temporary regulations so that they are generally applicable for all CSAs, with transition rules for certain preexisting arrangements in existence prior to January 5, 2009.

In response to the *Federal Register* notice dated October 17, 2017 (82 FR 48316), we received no comments during the comment period regarding this collection effort.

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

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

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

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Business Master File (BMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account

Data Engine Business Master File. The Internal Revenue Service PIAs can be found at <http://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

This is an attachment the respondent attaches to the Federal tax return. The Privacy Act statement associated with this attachment is listed in the Federal tax return instructions.

## 12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 1.482-7(b)(4) requires cost sharing participants to record the CSA in a document that contains certain provisions and is contemporaneous with the formation of the CSA. Section 1.482-7(k)(1), as proposed in 2005, further expanded on the current requirements by requiring the CSA to contain additional provisions that would (1) specify the functions and risks that each controlled participant will undertake in connection with the CSA, (2) enumerate all categories of intangible development costs to be shared under the CSA, (3) require the controlled participants to enter into cost sharing transactions covering all such costs and (4) require the controlled participants to enter into preliminary or contemporaneous transactions (PCTs) covering all external contributions.

Section 1.482-7(j)(2) imposes certain documentation requirements on participants in a CSA. Section 1.482-7(k)(2), as proposed in 2005, further expanded on the current requirements by requiring the participants to maintain records necessary to (1) establish that the participants have met the additional requirements of § 1.482-7(k)(1), as listed above, (2) describe all updates of reasonably anticipated benefits shares, (3) describe the reference transaction with reference to each PCT or group of PCTs, (4) specify the form of payments due under each PCT or group of PCTs, (5) specify the estimated arm's length value as of the date of the relevant PCTs, (6) describe, where applicable, why transactions were or were not aggregated, (7) specify the method payment form and (8) under certain circumstances, specify the weighted average cost of capital of the controlled group that includes the participants.

Section 1.482-7(j)(3) requires a cost sharing participant to annually file a statement attached to its U.S. Income tax return or, if not required, to schedule M of any Form 5471 or Form 5472 it is required to file. Section 1.482-7(k)(4), as proposed in 2005 somewhat expanded the material to be included in this annual statement.

The reporting requirements of temporary section 1.482-7(k) generally follow the 2005 proposed regulations, albeit with some minor changes in terminology. However, as described below, the temporary regulations will supplement the recordkeeping requirements set forth in sections 1.482-7(k)(1) and (2) as proposed in 2005. Section 1.482-7(k)(1)(i)(J) has been added that will require the CSA to contain a provision specifying the type of payment due under each PCT in existence at the formation (or any revision) of the CSA. Section 1.482-

7(k)(2)(ii)(A) is amended to require the participants to maintain additional records necessary to establish the scope of the intangible development activity undertaken pursuant to the CSA. Section 1.482-7(k)(2)(ii)(1) is amended to require retention of additional information relevant to establishing that a PCT payment is arm's length. The collections of information in the final regulations (TD 9568), are in section 1.482-7(b)(2) and (k).

We estimate that approximately 500 Respondents will file a response, with each response requiring an average of 18 hours and 42 minutes, resulting in a total burden of 9,350 hours.

<b>OMB Collectio n</b>	<b>Authority</b>	<b>Form</b>	<b>Annual Responses</b>	<b>Hours per Response</b>	<b>Total Burden</b>
1545-1364	1.482-7(b)(2) and (k)	---	500	18.70	9,350
	<b>IRS TOTAL</b>		<b>500</b>		<b>9,350</b>

Please continue to assign OMB number 1545-0284 to these regulations.

1.482-1  
1.482-4  
1.482-7

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for the Form is \$8,162.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to the burden previously approved.

This submission is being made for renewal purposes.

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

It is the view of the IRS that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form and / or 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.

**Note:** The following paragraph applies to all 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 if 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.