

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 (CSA) 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 Internal Revenue Service (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 has no plans to offer electronic filing due to the low number of filers.

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 determine its tax liability 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

In response to the *Federal Register* notice dated September 29, 2023 (88 FR 67436), 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)(2) requires that a CSA meet the administrative requirements of section 1.482-7(k), which states that a controlled participant meets the administrative requirements if it

substantially complies with the CSA contractual, documentation, accounting, and reporting requirements in section 1.482-(7)(k)(1)-(4). CSA contractual requirements are specified in section 1.482-7(k)(1)(ii)(A)-(K).

Section 1.482-7(k)(2) imposes certain documentation requirements on participants in a CSA. Section 1.482-7(k)(2)(ii)(A)-(J) states the CSA documentation requirements.

Section 1.482-7(k)(4)(iii)(B) requires a cost sharing participant to annually file a statement attached to its U.S. income tax return or, if not required to file a U.S. income tax return, that copy or copies of the statement and any updates are attached to schedule M of any Form 5471, Form 5472, or Form 8865 filed with respect to that participant.

Section 1.482-7(k)(2)(ii)(A) requires 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)(J) requires 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.

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

Please continue to assign OMB number 1545-1364 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

There is no cost to the Federal government for the reporting, third-party disclosure, and recordkeeping requirements contained within these regulations.

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

IRS believes 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 IRS 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.