

**SUPPORTING STATEMENT**  
**Internal Revenue Service**  
**1545-1794**  
**Compensatory Stock Options Under Section 482**  
**T.D. 9088**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 482 regulations with respect to cost sharing arrangements (§1.482-7) generally require that controlled participants in a qualified cost sharing arrangement share intangible development costs in accordance with the reasonably anticipated benefits attributable to the intangible development areas. The regulations require documentation to be maintained regarding methods used in determining costs and benefits. This information is necessary to determine whether or not the arrangement is a qualified cost sharing arrangement and whether each participant's share of costs is proportionate to the participant's share of benefits. If the arrangement is a qualified cost sharing arrangement but cost shares are not proportionate to benefit shares, the information is used to determine whether and to what extent the Service should adjust the participants' cost shares under section 482. These regulations enable taxpayers to take advantage of various benefits provided by the Internal Revenue Code.

**2. USE OF DATA**

The information contained in these regulations will be used by revenue agents to determine whether controlled participants in qualified cost sharing arrangements are sharing stock-based compensation costs attributable to the intangible development area in proportion to reasonably anticipated benefits in accordance with the requirements of the proposed amendment to the cost sharing regulations.

**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. 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**

The collections of information in these regulations will not have a significant economic impact on a substantial number of small entities.

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

Consequences of less frequent collection on federal programs or policy activities would consist of decreased amount of taxes collected by the Service, inaccurate and untimely filing of tax returns, and an increase in tax violations.

**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**

We received no comments during the comment period in response to the Federal Register notice dated October 2, 2017 (82 FR 45949).

**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**

There is no sensitive personally identifiable information (PII) in this collection.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

Section 1.482-7(d)(2)(iii)(B) provides that controlled participants may elect an alternative method of measurement of certain stock-based compensation by making an explicit reference to the election in the written cost sharing agreement.

Section 1.482-7(j)(2)(i)(F) requires that controlled participants maintain specific

documentation to establish the amount attributable to stock-based compensation that is taken into account in determining the costs to be shared, including the method of measurement and timing used with respect to that amount.

The estimated number of respondents and/or record keepers is 500 with responses of 750. The total reporting/recordkeeping burden is 2,000 hours.

Burden associated with specific elections are identified on the attached burden table and the total burden identified is:

Authority	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
IRC § 482	500	1.5	750	2.6667	2,000

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**

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**

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.

**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.

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	750	0	0	0	0	750
Annual Time Burden (Hr)	2,000	0	0	0	0	2,000

**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 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**

There are no exceptions to the certification statement.

**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.