3. On page 80086, column three, in the preambule, paragraph d. introductory text, the language “Contractual CWI Provisions—§ 1.482–1(d)(3)(ii)(C), Examples 3 through 7” is corrected to read “Contractual CWI Provisions—§ 1.482–7(h)(2)(iii)(C), Examples 3 through 7.”.

Guy R. Traynor,
Federal Register Liaison, Legal Processing Division, Publication and Regulations Branch, Procedure and Administration.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9568]

RIN 1545–BI47

Section 482; Methods To Determine Taxable Income in Connection With a Cost Sharing Arrangement; Correction

AGENCY: Internal Revenue Service (IRS).

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final regulations (TD 9568), which were published in the Federal Register on Thursday, December 22, 2011 (76 FR 80082), relating to section 482 and methods to determine taxable income in connection with a cost sharing arrangement.


FOR FURTHER INFORMATION CONTACT:
Joseph L. Tobin at (202) 435–5265 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of these corrections are under section 482 of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9568), contains errors which may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes. Reporting and recordkeeping requirements.

Accordingly, 26 CFR Parts 1 and 301 are corrected by making the following correcting amendments:

PART 1—INCOME TAXES

■ Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

PART 1—[CORRECTED]

■ Par. 2. Section 1.482–1 is amended by revising the first and second sentences of paragraph (b)(2)(i) to read as follows:

§ 1.482–1 Allocation of income and deductions among taxpayers.

(h) * * *

(i) Methods. Sections 1.482–2 through 1.482–7 and 1.482–9 provide specific methods to be used to evaluate whether transactions between or among members of the controlled group satisfy the arm’s length standard, and if they do not, to determine the arm’s length result. This section provides general principles applicable in determining arm’s length results of such controlled transactions, but do not provide methods, for which reference must be made to those other sections in accordance with paragraphs (b)(2)(ii) and (iii) of this section. * * *

■ Par. 3. Section 1.482–7 is amended by:

■ 1. Revising the fourth sentence of paragraph (c)(3).

■ 2. Revising the fifth sentence of paragraph (g)(2)(v)(C), Example, paragraph (i).

■ 3. Revising the first sentence of paragraph (g)(2)(v)(C), Example, paragraph (ii).


The revisions read as follows:

§ 1.482–7 Methods to determine taxable income in connection with a cost sharing arrangement.

(c) * * *

(3) * * * If the conduct is consistent with different, economically equivalent types of transactions then the controlled participants may designate the PCT as being any of such types of transactions. * * *

(g) * * *

(2) * * *

(v) * * *

(C) * * *

Example. (i) * * * Specifically, the Commissioner compares P’s anticipated post-tax discounted present value of the financial projections under the CSA (taking into account S’s PCT payment of 5% of its sale of product Y) with P’s anticipated post-tax discounted present value of the financial projections under a reasonably available licensing alternative that consists of developing intangible X on its own and then licensing X to S or to an uncontrolled party similar to S.

(ii) The Commissioner determines that, as between the two scenarios, all of the components of P’s anticipated financial flows are identical, except for the CST and PCT Payments under the CSA, compared to the licensing payments under the licensing alternative. * * *

* * * * *

(k) * * *

(2) * * *

(ii) * * *

(3) Any further development of intangibles already developed under the CSA or of specified applications of such intangible which has been removed from the IDA (see paragraphs (d)(1)(ii) and (jj)(1)(i) of this section for the definitions of reasonably anticipated cost shared intangible and cost shared intangible) and the steps (including any accounting classifications and allocations) taken to implement such removal;

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Guy R. Traynor,
Federal Register Liaison, Legal Processing Division, Publication & Regulation Branch (Procedure and Administration).

30 CFR Part 1206

Product Valuation

CFR Correction

In Title 30 of the Code of Federal Regulations, Part 700 to End, revised as of July 1, 2011, “ONNR” is corrected to read “ONRR”, as set forth in the following table: