

(d)(2)(ii)(A)(7), respectively, and redesignating paragraph (d)(2)(ii) introductory text as paragraph (d)(2)(ii)(A).

2. Adding a new paragraph (d)(2)(ii)(B).

3. Revising paragraphs (d)(2)(iii)(B)(4) and (d)(2)(iii)(B)(6).

4. Adding a third sentence to paragraph (g).

The revisions and additions read as follows:

§ 1.6662-6 Transactions between persons described in section 482 and net section 482 transfer price adjustments.

* * * * *

(d) * * *

(2) * * *

(ii) * * *

(B) *Simplified cost-based method.* A taxpayer's selection of the simplified cost-based method for certain services, described in § 1.482-9(f), and its application of that method to a controlled services transaction will be considered reasonable for purposes of the specified method requirement only if the taxpayer reasonably concluded that the controlled services transaction meets the conditions of § 1.482-9(f)(3) and is not described in paragraphs § 1.482-9(f)(2)(iii) or (f)(4). Whether the taxpayer's conclusion was reasonable must be determined from all the facts and circumstances. The factors relevant to this determination include those described in paragraph (d)(2)(ii)(A) of this section, to the extent applicable.

(iii) * * *

(B) * * *

(4) A description of the method selected and an explanation of why that method was selected, including an

evaluation of whether the regulatory conditions and requirements for application of that method, if any, were met;

* * * * *

(6) A description of the controlled transactions (including the terms of sale) and any internal data used to analyze those transactions. For example, if a profit split method is applied, the documentation must include a schedule providing the total income, costs, and assets (with adjustments for different accounting practices and currencies) for each controlled taxpayer participating in the relevant business activity and detailing the allocations of such items to that activity. Similarly, if a cost-based method (such as the cost plus method, the simplified cost-based method for certain services, or a comparable profits method with a cost-based profit level indicator) is applied, the documentation must include a description of the manner in which relevant costs are determined and are allocated and apportioned to the relevant controlled transaction.

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(g) * * * Paragraphs (d)(2)(ii)(B), (iii)(B)(4) and (iii)(B)(6) of this section are applicable for taxable years beginning after the date the final regulations are published in the **Federal Register**.

PART 31—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT THE SOURCE

Par. 10. The authority citation for part 31 continues to read in part as follows:

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

Par. 11. Section 31.3121(s)-1 is amended by:

1. Revising the fourth sentence and adding a fifth sentence in paragraph (c)(2)(iii).

2. Adding a second sentence to paragraph (d).

The revision and additions read as follows:

§ 31.3121(s)-1 Concurrent employment by related corporations with common paymaster.

* * * * *

(c) * * *

(2) * * *

(iii) *Group-wide allocation rules.*

* * * To the extent practicable, the Commissioner may use the principles of § 1.482-2(b) of this chapter in making the allocations with respect to wages paid after December 31, 1978, and on or before the date the final regulations are published in the **Federal Register**. To the extent practicable, the Commissioner may use the principles of § 1.482-9 of this chapter in making the allocations with respect to wages paid after the date of the final regulations are published in the **Federal Register**.

(d) *Effective date.* * * * The fifth sentence of paragraph (c)(2)(iii) of this section is applicable with respect to wages paid on or after the date of publication of that sentence as final regulations in the **Federal Register**.

Dale F. Hart,

Acting Deputy Commissioner for Services and Enforcement.

[FR Doc. 03-22550 Filed 9-5-03; 2:46 pm]

BILLING CODE 4830-01-P