

## **SUPPORTING STATEMENT (IRS Form 1120-POL)**

### **1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 527(a) of the Internal Revenue Code states that a political organization shall be subject to taxation under this subtitle only to the extent provided in section 527. Under Regulations section 1.6012-6(b), a political organization must file Form 1120-POL.

Section 527 provides that political organizations are treated as exempt organizations because political activity is not a trade or business that is appropriately subject to tax. A political organization may be a party, a committee, association, or a fund (whether or not incorporated) as long as its primary purpose is to directly or indirectly accept contributions or make expenditures or both for a political activity. A segregated fund established and maintained by an individual or organization may qualify for exemption if the assets of the segregated fund remain separate from the assets of the individual or organization.

Organizations that are exempt under section 501(c) are taxed on any amount spent for political activity. These exempt organizations may set up a separate segregated fund that will qualify under section 527 as a political organization to make such expenditures. The separate segregated fund will be treated as a separate entity for tax purposes. Once this type of fund is established, the exempt organization is permitted to transfer dues money collected on behalf of the fund, to that fund without the money being treated as expenditures made by the exempt organization.

### **2. USE OF DATA**

The IRS uses Form 1120-POL to determine the correctness of the income tax return filed. The form is also used to determine if the organization has correctly segregated exempt function income and exempt function expenses.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing because of low filing volume compared to cost of electronic enabling.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

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

Not applicable.

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

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 1120-POL.

In response to the Federal Register notice (71 FR 33339), dated June 8, 2006, we received no comments during the comment period regarding Form 1120-POL.

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

Not applicable.

**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**

Not applicable.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The burden estimate is as follows:

<u>Number of</u>	<u>Time per</u> <u>Responses</u>	<u>Total</u> <u>Response</u>	<u>Hours</u>
Form 1120-POL	6,527	36.64	239,150

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following are related regulations which impose no additional burden. Please continue to assign OMB number 1545-0129 to these regulations.

1.527-9  
1.527-6  
1.6012-6  
1.527-2  
1.527-5  
5c.0(b)

We have reviewed these regulations and have determined that the reporting requirements contained in them are entirely reflected on the form. The justification appearing in item 1 of the Supporting Statement applies to both these regulations and Form 1120-POL.

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our Federal Register notice dated June 8, 2006, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any

response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

**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 Form 1120-POL is \$22,887.

**15. REASONS FOR CHANGE IN BURDEN**

There are no changes to the form or burden previously approved by OMB. We are making this submission for renewal purposes only.

**16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

Not applicable.

**17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE**

See attachment.

**18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I**

Not applicable.

**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.

