# SUPPORTING STATEMENT
## (LR-185-84)

.   <u>CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION</u>

Section 103(b)(6)(D) of the Internal Revenue Code of 1954 authorizes the Secretary of the Treasury to prescribe by regulations the time and manner in which the issuer of a tax-exempt small issue of industrial development bonds must make an election to increase from $l million to $10 million (including certain capital expenditures), the legal limitation upon the size of such tax-exempt small issue. Exceeding such limitation makes the bond issue taxable.

Pursuant to that authorization the Internal Revenue Service on July 31, 1972 promulgated Treasury Decision 7199, which among other things implemented section 1.103-l0(b)(2)(vi) imposing the requirements that an election statement be filed by the bond issuer with the director of the Internal Revenue Service Center with whom the principal user of the facility financed by such bond issue files his tax return, and that each principal user should file an annual capital expenditure statement with the director of the Internal Revenue Service Center with whom he files his tax return. This Treasury decision liberalizes the filing requirements for the $10 million election. Issuers of small issues of exempt industrial development bonds are not required to file a statement with the Service in order to raise the small issue limitation to $10 million. Instead, bond issuers note their election under section 103(b)(6)(D) on their books or
records.

This Treasury decision also eliminates the requirement in section 1.103-10(b)(2)(vi) that principal users of facilities financed by certain small issues of tax-exempt industrial development bonds file annual supplemental capital expenditure statements concerning such facilities.

.   <u>USE OF DATA</u>

The notation in the books or records of the bond issuers will be used by the Internal Revenue Service to indicate that the $10 million election, required by section 103(b)(6)(D), was made.

.   <u>USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN</u>

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.

.       EFFORTS TO IDENTIFY DUPLICATION

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

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

The burden on small businesses and entities has been reduced by eliminating the requirement that supplemental capital expenditure statements be filed by the principal users of facilities financed by the small issues of industrial development bonds.

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

The final regulation was published in the Federal Register on May 2, 1986. The regulation was sent to OMB and was approved prior to publication.

We received no comments, during the comment period, in response to the **Federal Register Notice** dated **May 12, 2006** (71 FR 27792)**.**

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

Section 1.103-10(b)(2)(vi) of the Income Tax Regulations requires issuers of certain small issues of tax-exempt industrial development bonds to make a notation in their books and records. We estimate that about 10,000 bond issues a year will require the notation, which would take approximately .1 hour to make, for a total annual burden of 1,000 hours.

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

As suggested by OMB, our **Federal Register Notice** dated **May 12, 2006** (71 FR 27792)**,** 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

Not applicable.

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.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe 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    <u>EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I</u>

Not applicable.

<u>Note:</u>   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.