

SUPPORTING STATEMENT  
(IRS Form 1120-FSC and Schedule P (Form 1120-FSC))

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6012(a) of the Internal Revenue Code requires that a FSC file returns with respect to taxes under subtitle A of the Code. Sections 921 through 927 provide rules for taxation of FSCs. Code section 6011(c) requires that the FSC provide certain information to the Secretary. Part of this information is available on Schedule P (Form 1120-FSC).

2. USE OF DATA

The IRS uses Form 1120-FSC and Schedule P to verify that the FSC has correctly reported its income and deductions and that the tax has been correctly computed.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 1120-FSC cannot be filed electronically, since its relatively low volume does not justify the cost 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-FSC and Schedule P (Form 1120-FSC).

In response to the Federal Register notice (71 FR 36607), dated June 27, 2006, we received no comments during the comment period regarding Form 1120-FSC and Schedule P (Form 1120-FSC).

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 Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 1120-FSC	5,000	152.93	764,250
Schedule P (1120-FSC)	<u>25,000</u>	13.01	<u>325,250</u>
	30,000		1,089,500

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

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0935 to these regulations:

1.921-1T		1.925(b)-1T
1.921-3T		1.926(a)-1T
1.923-1T		1.927(b)-1T
1.925(a)-1T(b)(2)(ii)	1.927(d)-2T	
1.924(a)-1T		1.927(e)-1T
	1.927(a)-1T	

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated June 27, 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-FSC and Schedule P (1120-FSC) is \$32,120.

15. REASONS FOR CHANGE IN BURDEN

The total burden was reduced by 400 hours as a result of the deletion of 2 Code references and 2 lines.

This form is being submitted for renewal purposes.

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.