

**SUPPORTING STATEMENT
Announcement 2006-xx**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Service has identified certain abusive transactions where taxpayers have attempted to use an S corporation and an arrangement purported to be an employee stock ownership plan to improperly exclude the income of a related business from taxable income. Although the Service believes it will prevail in litigation on the merits of these cases, the Service has decided, in pursuing more efficient tax administration, to offer affected parties an opportunity to resolve quickly their tax issues and avoid protracted and costly litigation through the execution of a closing agreement pursuant to this announcement.

2. USE OF DATA

The data will be used by the Service to determine whether the affected parties are qualified to enter into the settlement initiative and the terms of any settlement agreement.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

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.

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. This announcement pertains only to certain large businesses.

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 THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Not applicable. We plan solicit taxpayer feedback after they have been able to review and understand the new requirements.

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

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Not applicable.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Part III of the announcement provides an election form by which certain defined benefit pension plans of commercial passenger airlines may elect an alternative funding schedule. The estimated burden per respondent is from 4 hours to 6 hours with the average burden of 5 hours on 20 respondents for a total estimated burden of 100 hours annually.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO TAXPAYERS

Estimates of the annualized cost to respondents for the hour burdens shown above are not available at this time. These various burdens do not necessarily represent a net additional burden to taxpayers, since compliance with the announcement, if followed, will negate the need for the individual taxpayers to have to deal with the Service with respect to the items addressed in the announcement including the avoidance of potentially costly and protracted litigation.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

The requested information is needed pursuant to a Congressional directive in section 402(d)(2) of the Pension Protection Act of 2006, Pub. L. No. 109-280, as enacted on August 18, 2006.

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 would cause confusion by leading taxpayers to believe that the announcement sunsets as of the expiration date. Taxpayers may not 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. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

19. REASONS FOR EMERGENCY REQUEST

Those commercial airlines that are able to make the election described in the announcement are more likely to maintain their defined benefit pension plans for their benefit and the benefit of their employees. The election and data described in the election form are being made pursuant to a Congressional option to make such elections in section 402(a)(1) of the Pension Protection Act of 2006 and a corresponding directive in section 402(d)(2) for Treasury to provide a method for making such an election.

Because of the time limitations taxpayers are eligible to make this election for the 2006 and remaining portion of 2007, we need OMB approval as soon as possible. Taxpayers need the time to read, understand and comply with these new guidelines. It is essential to the IRS mission that we provide this clarification of the guideline to the particular taxpayers.

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 the 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.