

SUPPORTING STATEMENT
(IRS Form 1120-IC-DISC, Schedules K and P)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6011(c) of the Internal Revenue Code requires IC-DISCs and former IC-DISCs to file returns as the Secretary prescribes by forms or regulations. Form 1120-IC-DISC, Schedule K, and Schedule P are the forms prescribed by the Secretary under 26 CFR 1.6011-2.

2. USE OF DATA

The IRS uses the information on Form 1120-IC-DISC to verify that the IC-DISC has correctly computed its taxable income and that shareholders of the IC-DISC are properly identified. The shareholders are taxed on IC-DISC income that is either deemed or actually distributed.

The IRS uses Schedule K (Form 1120-IC-DISC) to verify that shareholders of the IC-DISC have correctly reported the IC-DISC income on their income tax returns and have paid any interest charge due on their share of the IC-DISC's deferred DISC income that was reported to them on Schedule K.

The IRS uses Schedule P (1120-IC-DISC) to verify that the IC-DISC has used correct intercompany pricing rules in reporting transactions between the IC-DISC and related suppliers.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Form 1120-IC-DISC, Schedules K and P cannot be filed electronically, since their 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-IC-DISC, Schedules K and P.

In response to the Federal Register notice (71FR 44769), dated August 7, 2006, we received no comments during the comment period regarding Form 1120-IC-DISC, Schedules K and P.

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:

Number of	Time per	Total
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	<u>Responses</u>	<u>Response</u>	<u>Hours</u>
Form 1120-IC-DISC	1,200	148.16	177,792
Schedule K	2,880	4.74	13,652
Schedule P	<u>2,400</u>	15.93	<u>38,232</u>
Total	6,480		229,676

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 1545-0938 to these regulations.

1.6011-2	1.994-1
1.992-1 through 4	1.995-5
1.993-3, 4	

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated August 7, 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

The primary cost to the government consists of the cost of printing these forms. We estimate that the cost of printing the forms is \$4,785.

15. REASONS FOR CHANGE IN BURDEN

There were no changes to the total burden approved by OMB.

These forms are 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.