

**SUPPORTING STATEMENT
(NOT-151178-06)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The IRS has determined a substantial number of U.S. citizens and lawful permanent residents working in the international community have failed to fulfill their U.S. tax obligations. The IRS needs the information in order to apply the terms of the settlement and determine the amount of taxes, applicable statutory interest and penalties.

2. USE OF DATA

The information collected by the IRS will be used for audit and examination purposes.

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.

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

We will publish a notice in the Federal Register in the near future to solicit public comments on this notice.

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 4 of the Notice 2006-xx requires taxpayers electing to participate in the settlement initiative to notify the IRS in writing of their intent to participate in the settlement initiative. We estimate that this requirement will affect 5,500 respondents per year, and take 2 hours each for a total of 11,000 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

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

Not applicable.

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 regulations sunset 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. 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.

Emergency Submission

Approval is needed by November 16, 2006. The Internal Revenue Service ("IRS") has determined that a significant number of U.S. citizens and lawful permanent residents working at foreign embassies, foreign consular offices, and international organizations have failed to fulfill their U.S. tax obligations. Frank Y. Ng, Deputy Commissioner, Large and Mid-Size Business (International) has established a high priority initiative to bring these employees into compliance. Due to sensitive diplomatic and political considerations, Mr. Ng has coordinated this effort with the State Department's Office of Foreign Missions and the Department of Homeland Security.

On November 17, 2006, the State Department is hosting a meeting with representatives of foreign embassies and international organizations to discuss this situation. Two high level managers from each embassy and international organization have been invited to attend. Deputy Commissioner Ng will present

details of the initiative at that meeting. The IRS representatives will answer questions about U.S. tax obligations of their employees and this compliance initiative.

Time is of the essence in this matter and expedited processing is necessary. The compliance initiative covers the 2003 filing season for these employees and, absent immediate action, the statute of limitations will expire on the 2003 tax year before compliance is achieved. The IRS estimates approximately 5,500 employees will owe additional tax for the 2003 tax year and that the revenue impact will be significant. Further, the State Department facilities are subject to extremely limited availability and the meeting cannot be rescheduled within an appropriate time.