

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

This temporary regulation provides rules for electing to claim a deduction for certain costs of producing of a qualifying film or television production, and for substantiating that the production qualifies for the deduction. The temporary regulation provides the time and manner for a taxpayer to submit certain information to make the election and to claim this deduction.

2. USE OF DATA

The information will be used by revenue agents to determine if the taxpayer is entitled to claim the deduction under section 181.

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

A notice of proposed rulemaking is being published simultaneously with this temporary regulation that will afford the public a 60-day period in which to review and provide public comments relating to any aspect of the regulations. A public hearing will be held with respect to the notice of proposed rulemaking if any person who has submitted written comments requests one.

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 collections of information are in section 1.181-2(c) of the temporary regulation. The temporary regulation requires any taxpayer electing to claim the deduction must file a statement with the return for each tax year for which a deduction is claimed identifying the production, stating the material facts necessary to prove that the production qualifies for the deduction, the name and Taxpayer Identification Number of any other person with an ownership interest in the production, and a declaration that the taxpayer expects the production to continue to qualify for the deduction. The information will be used to verify that a taxpayer is entitled to claim the deduction. The estimated total annual burden is 1,500 hours. The estimated annual burden per respondent varies from 2 to 4 hours, depending on individual circumstances, with an estimated average of 3 hours. The estimated number of respondents is 500.

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. REASON 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 temporary 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. 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.

Note: This is an emergency submission.

We are requesting emergency review of this submission and seek OMB approval by November 22, 2006. Section 181 is part of the American Jobs Creation Act of 2004 (October 22, 2004), and is amended by the technical corrections in the Gulf Opportunity Zone Act ("GOZA") (December 21, 2005). The GOZA amended the provisions of § 181 relating to the amount that the producer of a television series can deduct per episode, and closing a tax loophole that would have allowed taxpayers to exploit the statute to convert ordinary income to capital gain income. These amendments are effective retroactively to the effective date of § 181. Accordingly, until the technical corrections in GOZA were enacted, the IRS was unable to issue guidance under § 181.

Therefore, we respectfully request that the consideration of this submission and provision of an OMB number be completed by November 22, 2006. Any other result will be detrimental to the taxpaying public and will interfere with the mission of the IRS.