

## **SUPPORTING STATEMENT INTL-955-86**

### CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 936(d)(4) expands the definition of "qualified possession source investment income" by providing that an investment in a qualified financial institution will, subject to such conditions as the Secretary of the Treasury prescribes pursuant to regulations, be treated as used in Puerto Rico to the extent used by such financial institution for investment in accordance with the goals and purposes of the Caribbean Basin Economic Recovery Act (P.L. 98-67 (Aug. 5, 1983)), in active business assets or development projects in a qualified Caribbean Basin country. Income that is qualified possession source investment income is entitled to a quasi-tax exemption by reason of the U.S. possessions tax credit under section 936(a) and substantial tax exemptions in Puerto Rico. Section 936(d)(4)(C) places certification requirements on the recipient of the investment and the qualified financial institution; and recordkeeping requirements on the financial institution and the recipient of the investment funds to enable the Secretary to ensure that the requirements of section 936(d)(4) are being fulfilled. Sections 1.936-10(c)(12) and (13) enumerate these certification and continuing due diligence requirements.

### USE OF DATA

The certification and recordkeeping requirements that sections 1.936-10(c)(12) and (13) place on the recipients of investments and the qualified financial institutions are used by the IRS to verify that the investment funds are being used properly and in accordance with the purposes of the Caribbean Basin Economic Recovery Act.

### USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. IRS publication, 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.

### 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 (54 FR 39001) was published simultaneously with a temporary regulation (54 FR 38970) in the **Federal Register** on September 22, 1989. A public hearing was held on March 19, 1990. Final regulations (T.D. 8350) were published in the **Federal Register** on May 13, 1991 (56 FR 21926).

We received no comments during the comment period in response to the **Federal Register** notice (72 FR 8065), dated February 22, 2007.

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 1.936-10(c)(12) provides that the certification responsibility placed on the recipient of the investment and the financial institution is satisfied if the financial institution submits a certificate to both the Assistant Commissioner (International) and to the Commissioner of Financial Institutions of Puerto Rico upon authorization of the investment by the Commissioner of Financial Institutions and, in any event, prior to the first disbursement of the loan proceeds to the qualified recipient or to the financial intermediary (if any). Section 1.936-10(c)(13)(i) requires the recipient of the investment to submit annually to the qualified financial institution certain information concerning use of the loan proceeds. Section 1.936-10(c)(13)(ii) specifies the documents and information that the financial institution must maintain and have available for inspection by the Secretary or the Commissioner of Financial Institutions of Puerto Rico. The total burden for these requirements is estimated to be 1,500 hours.

Recordkeepers	50
Annual hours per recordkeeper	<u>30</u> hours
Total hours	1,500

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

As suggested by OMB, our **Federal Register** notice dated February 22, 2007, 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

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

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 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.