

**SUPPORTING STATEMENT
(REG-209020-86)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 905(c) of the Internal Revenue Code requires a taxpayer to notify the IRS of a foreign tax redetermination (FTR), which is a change in the taxpayer's foreign tax liability that may affect the taxpayer's foreign tax credit. New temporary regulations at §1.905-4T provide rules concerning the time, manner, and contents of such notification. Where a redetermination of U.S. tax liability is required by reason of an FTR, the new regulations generally require the taxpayer to file an amended return and Form 1116 or 1118, with a written statement providing specific information relating to the FTR. Where the FTR does not necessitate a redetermination of U.S. tax liability, and only an adjustment to a foreign corporation's pools of earnings and profits and foreign taxes is required, the new regulations require the taxpayer to attach a written statement to the original tax return for the year in which the FTR occurred. Failure to provide the required information may result in the imposition of a penalty under section 6689 of the Internal Revenue Code.

A copy of the regulations requiring the collection of information is attached.

2. USE OF DATA

The IRS will use the information to be collected under the provisions of section 905(c) for audit purposes to determine whether taxpayers have correctly redetermined their U.S. tax liability and foreign tax credit after an FTR.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of original and certain amended returns is currently available. The written statement which these regulations require be attached to the taxpayer's original or amended return may be electronically filed as an attachment, to the extent that the return is electronically filed.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible. The new temporary regulations provide an exception to the general notification rule that allows LMSB taxpayers to notify the IRS of an FTR that occurs prior to an audit, and requires LMSB taxpayers to notify the IRS of an FTR that occurs during the first 180 days of the audit, by providing the written statement to the examiner in lieu of filing an amended return.

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

NPRM and temporary regulations:

A notice of proposed rulemaking is being published simultaneously with temporary regulations which 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.

In response to the Federal Register Notice dated March 23, 2007 (72 F. R. 13863), we received no comments during the comment period regarding Reg-209020-86.

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

Estimated total annual reporting burden: 54,000 hours (based on an estimated average annual burden per respondent of 4.2 hours and an estimated 13,000 respondents).

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 June 23, 1988, 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 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

The collection burden under these regulations has changed due to the need to provide guidance complying with statutory changes made to the applicable law by the Taxpayer Relief Act of 1997, Public Law 105-34 (111 Stat. 788, 971 (1997)), and the American Jobs Creation Act of 2004, Public Law 108-357 (118 Stat. 1418 (2004)). In addition, in response to comments made to proposed section 905(c) regulations issued in 1988, the burden of information collection was reduced with respect to certain types of FTRs.

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.