

**SUPPORTING STATEMENT**  
(Form 1118, Schedule I and Schedule J)

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 901 of the Internal Revenue Code provides that corporations that pay income taxes in a foreign country may claim a tax credit based on the lesser of the foreign taxes paid or the overall limitation for each separate limitation income category. The overall limitation for a given income category is computed by dividing the corporation's separate limitation income by the corporation's worldwide income.

Section 902 allows domestic corporations to claim a foreign tax credit for the taxes paid by the foreign corporation. Section 907 requires corporations that have paid taxes to foreign countries on oil extraction to reduce taxes by the highest rate of tax.

**2. USE OF DATA**

IRS uses Form 1118 to determine whether corporations have correctly figured their foreign tax credits.

**3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

Form 1118 is electronically enabled for 1120 returns.

**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 1118.

In response to the **Federal Register Notice** dated March 23, 2007 (72 F. R. 13862), we received no comments during the comment period regarding Form 1118, Sch.-I and Sch.-J.

**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**

| <u>Form</u> | <u>No. of</u> | <u>Time per Responses</u> | <u>Response</u> |
|-------------|---------------|---------------------------|-----------------|
|             |               | <u>Total hours</u>        |                 |
| Form 1118   | 30,000        | 140.65                    | 4,016,700       |
| Schedule I  | 900           | 11.51                     | 10,359          |
| Schedule J  | <u>50</u>     | 93.54                     | <u>4,677</u>    |
| 30,950      |               | 4,031,736                 |                 |

Estimates of the annualized cost to respondents for the hour burdens shown above are not available at this time.

The following are related regulations which impose no additional burden. Please continue to assign OMB number 1545-0122 to these regulations.

|         |                   |          |
|---------|-------------------|----------|
| 1.901-3 | 1.904-2           | 1.1247-1 |
| 1.902-1 | 1.905-2 through 4 |          |
| 1.904-1 | 1.960-1           |          |

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our **Federal Register Notice** dated **1 March 23, 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 responses from taxpayers on this subject. As a result, estimates of these cost burdens are not available at this time.

**14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distributing, and overhead for this form is \$449,512.

**15. REASONS FOR CHANGE IN BURDEN**

There are no changes Form 1118 at this time. 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**

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.