

SUPPORTING STATEMENT (REG-106177-97)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 529 of the Internal Revenue Code of 1986 (Code) provides tax-exempt status to qualified tuition programs (QTP). States and eligible educational institutions establish and maintain QTP that permit a person to save for college expenses. Section 529(b) sets forth the requirements that must be satisfied for a program to be a QTP. Among these requirements, section 529(b)(3) requires that a separate accounting be kept for each account and section 529(d) requires reports concerning the program as the Secretary may require. Prop. Treas. Reg §1.529-2(f) requires that a separate accounting be kept for each account and provides that if a program does not ordinarily issue an annual account statement, an account statement must be furnished to the account owner upon request. Section 529(c)(3) requires the ratable recovery of investment in the program with each distribution and Prop. Treas. Reg. 1.529-3(b) describes the calculation used to ratably recover the investment.

2. USE OF DATA

The information is used by the Service pursuant to an examination in order to determine whether the program qualifies under section 529.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

This regulation is electronically enabled.

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**

The notice of proposed rulemaking was published in the Federal Register on August 24, 1998 (63FR 45019). In response to the **Federal Register Notice** dated **April 19, 2007 (72 FR 19767)**, we received no comments during the comment period regarding REG-106177-97.

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**

A QTP is required to keep a separate accounting for each account. The QTP is required to record contributions and earnings to the proper account and to make certain that accounts to not exceed the contribution limit of the program. If a QTP does not ordinarily issue an annual account statement, an account statement must be furnished to the account owner upon request. Sections 529(b)(3), 529(b)(6), 529(d), and Prop. Treas. Reg. §1.529-2(f) and (I). It is estimated that 52 respondents/recordkeepers will be required to keep records and issue statements for 5,677,680 accounts for 45 minutes for each account, resulting in a 4,258,260 hour reporting and recordkeeping burden.

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

As suggested by OMB, our **Federal Register Notice** dated **April 19, 2007 (72 FR 19767)**, 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 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.