

SUPPORTING STATEMENT
(Notice 89-102)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 597 of the Internal Revenue Code was amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 1401(a), 103 Stat 183 (August 9, 1989), to provide that the treatment of any transaction in which Federal financial assistance is provided to certain financial institutions shall be determined under regulations prescribed by the Secretary of the Treasury. Notice 89-102 establishes a reporting requirement in cases in which specific financial institutions receive Federal financial assistance prior to a planned sale of their assets or their stock to another institution and elect to defer payment of any net tax liability attributable to the Federal financial assistance.

2. USE OF DATA

The reporting requirement applies to a bank or a domestic building and loan association (a) subject to section 597 of the Code and (b) that is not a subsidiary member of an affiliated group of corporations making a consolidated return. If such a financial institution receives Federal financial assistance prior to the time of its planned acquisition by an acquiring institution, then it may elect to defer the net tax liability attributable to the assistance until the taxable year in which the acquisition occurs, but in no case may the period of deferral be longer than three taxable years. The institution reports its election to defer payment on a statement filed with its return for the taxable year in which the assistance is received, and reports any deferral of the same payment in subsequent taxable years by a similar statement filed with the return. The reports are necessary to monitor the amount of deferral and to aid the verification of payment.

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

In response to the Federal Register Notice dated May 10, 2007 (72 F.R. 26686), we received no comments during the comment period regarding Notice 89-102.

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

This Notice requires financial institutions that receive Federal financial assistance and elect to defer net Federal income tax liability attributable to such assistance pursuant to the Notice to file a

statement describing the assistance received, the date of receipt, and any amounts deferred. We estimate that approximately 250 respondents will elect to defer their net Federal income tax liability and that it will take approximately .5 hours to make such election. The total burden estimate for this requirement is 125 hours.

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 May 10, 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 notice 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.