

Supporting Statement
(Form 5735)

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 5735 is used to figure the American Samoa economic development credit under section 30A. The credit is generally allowed against income tax imposed by Chapter 1. A domestic corporation (other than an S corporation) that is an existing credit claimant with respect to American Samoa must complete Form 5735 for each year the American Samoa economic development credit election is in effect.

2. USE OF DATA

The IRS uses Form 5735 to determine if the possessions corporation tax credit is computed correctly.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans at this time to offer electronic filing because of the low volume compared to the cost of electronic enabling.

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 5735 and Schedule P.

In response to the Federal Register Notice dated May 12, 2006 (71 FR 27791), we received no comments during the comment period regarding Form 5735 and Schedule P.

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

Form	Number of Responses	Time per Response	Total Hours
5735			10
			12.69
			127

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

The following regulations impose no additional burden. Please continue to assign number 1545-0217 to these regulations.

1.936-5

1.936-1

7.936-1

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register Notice dated May 12, 2006 (71 FR 27791), 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

The primary cost to the government consists of the cost to print the forms. We estimate the cost to print Form 5735 and Schedule P to be \$300.

15. REASONS FOR CHANGE IN BURDEN

Form Changes

1. U.S. Possession has been replaced by American Samoa throughout the form.
2. A caution has been added above Part I describing the conditions that must be met for a domestic corporation to be a qualified domestic corporation for purposes of the credit, Act section 119(a)(1) and (2).
3. In Part I, old column (c) has been deleted because the credit only applies to American Samoa.
4. In Part I, old column (i) has been deleted because qualified possession source investment income no longer needs to be separately identified.
5. In Part I, all column references have been changed as needed because of the deletion of old columns (c) and (i).
6. Old Parts II, III, V, and VI have been deleted because they are not required to figure the credit under the economic-activity limitation method.
7. Old Part IV is now Part II, American Samoa Economic Development Credit.
8. Old line 18 in Part IV is now line 6 in Part II.
9. Old line 19 has been broken out into lines 7, 8, and 9 to separately identify the different depreciation components of the computation.
10. Old line 20 is now line 10.

11. Old lines 21 through 26 (which reflected 30A(d)(3)) have been deleted. They are not required to figure the credit. Act section 119(b)(1).
12. We have added a new line 11 to show the U.S. income tax against which the credit is allowed.
13. Old line 27 has been revised as needed and is now line 12. The reference to Form 1120, Schedule J, changed from line 6b to line 5b.

These changes resulted in a burden change decrease of 33,691 hours.

16. **PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

Not applicable.

17. **REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE**

See attachment.

18. **EXCEPTION 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.