

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

These regulations are proposed as part of Treasury's ongoing tax simplification efforts. Proposed regulation section 1.964-1(c)(1)(ii)(B) would modify the computation of earnings and profits (E&P) of foreign corporations by allowing taxpayers to account for inventory costs using capitalization methods used for financial accounting purposes rather than the uniform capitalization rules required by section 263A. Similarly, proposed section 1.964-1(c)(1)(iii)(D) permits reliance on financial accounting conventions in computing depreciation for foreign corporations deriving less than 20 percent of gross income from U.S. sources and maintaining assets with financial book bases not materially different from tax bases. Use of these simplified rules may result in an accounting method change which under section 446(e) would ordinarily require the filing of Form 3115 (Application for Change in Accounting Method). However, proposed section 1.964-1(c)(1)(v) waives any Form 3115 filing requirements if its conditions are met. Therefore, on a net basis, the proposed regulations impose no reporting or recordkeeping burdens.

2. USE OF DATA

Form 3115 is used if there are any accounting method changes. However, proposed regulation section 1.964-1(c)(1)(v) waives any Form 3115 filing requirements if its conditions are met.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. 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

This notice of proposed rulemaking was published in the **Federal Register** on July 1, 1992 (57 FR 29246) and provided the public with a 60-day period in which to review and provide public comments relating to any aspect of the proposed regulations. No request for a hearing was received from any person who submitted written comments and therefore a public hearing was not held on the proposed regulations.

We received no comments during the comment period in response to the **Federal Register** notice dated August 24, 2007.

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

Section 1.964-l(c)(l)(v) waives any Form 3115 filing requirements if its conditions are met. If the conditions are not met, the burden of this requirement will be reflected in the burden estimates for Form 3115.

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 August 24, 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 regulation 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.