

**SUPPORTING STATEMENT
(Form 8903)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 102 of the American Jobs Creation Act of 2004 (section 199 of the Internal Revenue Code), created a domestic production activities deduction for tax years beginning after December 31, 2004. Taxpayers will use the new Form 8903 and related instructions to calculate the deduction. The Form 8903 will be filed by corporations, individuals, partners (including partners of electing large partnerships), S corporation shareholders, beneficiaries of estates and trusts, cooperatives, and patrons of cooperatives.

The authority for the Form 8903 is Internal Revenue Code section 199 (P.L. 108-357, Title I, Section 102).

2. USE OF DATA

Taxpayers will use the Form 8903 to calculate the domestic production activities deduction. The Internal Revenue Service will use the Form 8903 to determine how the domestic production activities deduction was determined by the taxpayer.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

This form will be filed electronically under the authority of Internal Revenue Code section 6001 (P.L. 108-357, Title II, Sections 2001 through 2005).

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 8903.

In response to the Federal Register notice (71 FR 10757), dated March 2, 2006, we received no comments during the comment period regarding Form 8903.

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

The burden estimate is as follows:

| | Number of Total <u>Responses</u> | Time per <u>Response</u> Hours |
|--------------------------------|---|---|
| Form 8903 8,700,000 | 300,000 | 29.00 |

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 March 2, 2006, 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

The primary cost to the government consists of the cost of printing Form 8903. We estimate that the cost of printing the form is \$1,000.

15. REASONS FOR CHANGE IN BURDEN

As a result in the number of filers, the burden decreased by 350,364,974 total burden hours. Changes were made to the ADL formula to make total hours consistent with email justifications (Attached).

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.