
From: Becker Stephen W
Sent: Wednesday, February 20, 2008 3:16 PM
To: Kirkland Glenn P; Durbala R Joseph
Cc: Epstein Paul S; 'PEPSTN@aol.com'; McNamara Judith A; Mitchell Shelley; Freeman Curtis L; Cervantes Johnny; Brooks Daniel V; Bradley Barbara; Regier Diane
Subject: RE: Approval package for 2007 Form 1120-F Instructions

Joe,

I have filled in the table that you sent us (see below) with the estimates that you have requested.

Just a brief explanation of some of the estimates:

The IRS Office of Research, Forecasting, and Service Analysis has estimated that we will have 29,200 filers for 2007. (There were 27,984 actual filers for 2006.)

We estimate that most of those filers are required to file form 1120-F because they have income which is effectively connected with a U.S. trade or business (ECI). Specifically, we estimate that only 200 filers have **only** FDAP income (with no ECI). This is significant because the schedules you have listed below are all required only by ECI filers (i.e., they are not required of FDAP-only filers).

The schedules H&P are required of all ECI filers (i.e., all ECI filers are required to allocate their expenses between ECI and non-ECI).

The Schedule P is required only of ECI filers that have ECI passed through from a partnership. We estimate this to be a relatively small number of filers (1,000 filers).

We estimate that 25% of 1120-F filers will file electronically. We found out that 20% of all 1120 filers filed electronically in 2006, but (a) we understand that the electronic filing threshold has been lowered for 2007, and (b) we believe that foreign corporations are more likely to be larger corporations, and **therefore** more likely to be electronic filers.

We estimate that 20% of 1120-F filers will file Schedule M-3 (Form 1120-F). We found out that 10% of all 1120 filers filed the M-3 (1120), but we believe that foreign corporations are more likely to be larger corporations, and therefore more likely to be M-3 filers.

All ECI filers of Form 1120-F will be required to file the M-1 and M-2 because the M-2 is required of all of them. (The M-1 is required of only those ECI filers who did not file the M-3.) **If the Schedule M-1 and M-2 is filed, the M-2 will always be completed. The M-1 will be completed by only 75% of M-1/M-2 filers (i.e., only by non-Schedule M-3 filers).**

Please call or write if you have any questions. Thanks.

Steve

From: Durbala R Joseph
Sent: Wednesday, February 20, 2008 11:40 AM
To: Becker Stephen W; Regier Diane; Bradley Barbara; Cervantes Johnny; Freeman Curtis L; Brooks Daniel V
Cc: Kirkland Glenn P
Subject: RE: Approval package for 2007 Form 1120-F Instructions
Importance: High

Diane or Steve,

With the number of changes made to this form, we will need updated filing estimates of the various forms. Please provide me the following information as quickly as possible so I can begin the burden computations of each form:

| Form | Estimated number of Responses | Estimated percentage of Electronic filers |
|--------------------------|-------------------------------|---|
| 1120-F | 29,200 | 7,300 |
| Sch. H (1120-F) | 29,000 | 7,250 |
| Sch. I (1120-F) | 29,000 | 7,250 |
| Sch. P (1120-F) | 1,000 | 250 |
| Schs. M-1 & M-2 (1120-F) | 29,000 | 7,250 |
| Sch. M-3 (1120-F) | 5,800 | 1,450 |

Without this information we cannot compute any burden estimates needed by OMB.

R. Joseph Durbala

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