

**SUPPORTING STATEMENT**  
**(Revenue Procedure 2001-42)**

· **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

This revenue procedure is provided to allow issuers of life insurance contracts whose contracts have failed to meet the tests provided in section 7702A of the Internal Revenue Code to cure these contracts that have inadvertently become modified endowment contracts.

In general, under the revenue procedure, a taxpayer can elect to enter into a closing agreement pursuant to the procedures set forth in the revenue procedure.

· **USE OF DATA**

The data will be used to determine whether a taxpayer may enter into a closing agreement under this revenue procedure.

· **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.

· **EFFORTS TO IDENTIFY DUPLICATION**

We have attempted to eliminate duplication within the agency wherever possible.

· **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

Not applicable.

· **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

Not applicable.

· **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

Not applicable.

· **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON**

**AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

Revenue Procedure 2001-42 was published in the **Internal Revenue Bulletin** on September 4, 2001 (2001-36, IRB 212).

In response to the **Federal Register Notice** dated **June 21, 2007 (72 FR 34358)**, we received no comments during the comment period regarding RP 2001-42.

• **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

• **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns, tax return information and closing agreements are confidential as required by 26 U.S.C. 6103.

• **JUSTIFICATION OF SENSITIVE QUESTIONS**

Not applicable.

• **ESTIMATED BURDEN OF INFORMATION COLLECTION**

Section 5.01 of the revenue procedure provides the procedures for obtaining a closing agreement. The submission made by the issuer must contain the following information - (1) a specimen of each contract form;(2) the policy number of each contract; (3) the taxpayer identification number of each contract owner; (4) the original issue date of each contract; (4) the death benefit under each contract for purposes of determining the 7-pay premium for the contract; (5) the 7-pay premium assumed by the issuer when the contract was issued; (6) the cash surrender value of each contract at the end of each contract year; (7) the cash surrender value at the end of each contract year; (8) a description of the defect that caused the contract to fail to comply with the 7-pay test, including how and why the defect arose; (9) a description of the administrative procedures the issuer has implemented to ensure that none of its contracts will inadvertently fail the 7-pay test in the future; (10) a description of any material change in the benefits under any of the contracts together with the dates on which the material changes occurred; (11) six items of additional data for any contract with regard to which a contract holder directly or indirectly received any distribution to which section 72 applies; and (12) a template setting forth five items of data.

We estimate that 10 issuers will make the request for closing agreements annually. The estimated burden per respondent for recordkeeping/reporting is from 50 hours to 150 hours with the average burden of 100 hours, for a total estimated burden of 1,000 hours annually.

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

**ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our **Federal Register Notice** dated **June 21, 2007 (72 FR 34358)**, 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.

**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 revenue procedure 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.