

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Revenue Procedure is necessary to provide guidance as to how issuers of life insurance contracts can enter into a closing agreement with the Internal Revenue Service to remedy certain life insurance contracts. Section 7702A requires life insurance contracts to comply with a 7-pay test so that the accumulated amount paid under a life insurance contract at any time during its first 7 contract years does not exceed the sum of the net level premiums. Life insurance contracts that fail the 7-pay test are treated as modified endowment contracts (MECs). Any distributions made from a MEC are treated on an income out first basis. No regulations have been issued under this Code provision.

In general, the Revenue Procedure provides procedures to be used by issuers of life insurance contracts (issuers) to correct inadvertent non-egregious failures to comply with the MEC rules. The Revenue Procedure permits issuers to correct inadvertent non-egregious MECs by entering into a closing agreement.

2. USE OF DATA

The data will be used by the relevant issuers with failed contracts to correct the failed contracts.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The disclosure of certain information does involve the use of automated, electronic, or other technological collection techniques.

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

We will publish a notice in the Federal Register in the near future to solicit public comments on this Notice.

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 5 of the Revenue Procedure provides that an issuer that requests a closing agreement must submitted certain information to the Service as well as retaining the certain information that is used to compute the required toll charge that is paid to the United State Treasury. In addition, an issuer must retain documentation available to support the representations required in Section 5.

We estimate that **10** respondents will be required to comply with the above allocation and disclosure requirements. The estimated burden per respondent for recordkeeping/disclosure is **80 to 90** hours with the average burden of **85** hours, for a total estimated burden of **850** hours annually.

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

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

This revenue procedure supercedes two prior revenue procedures so that information was available regarding the time spent for the collection of information.

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 Notice 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.

EMERGENCY SUBMISSION

This Paperwork Reduction Act Submission is made on an emergency basis, and clearance is requested by **INSERT DATE**. Because taxpayers that are subject to this revenue procedure would want to use it as soon as possible, this revenue procedure should be made available as soon as possible.