

**SUPPORTING STATEMENT  
(REG-150313-01)**

**32576. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Proposed regulations are being issued to provide guidance concerning the treatment of a redeemed shareholder's basis in stock in redemptions treated as dividend distributions. Under the regulations, in any case where a redemption of stock is treated as a distribution of a dividend, the adjusted basis of the redeemed stock is treated as suspended and must be taken into account as a loss allowable under the Code or regulations by the redeemed shareholder on the earlier of the exchange basis recovery date or the accelerated basis recovery date to the extent provided in the proposed regulation. Because a redemption transaction may give rise to, or increase, an excess loss account where the redeemed shareholder and the redeeming corporation are members of the same consolidated group, these regulations propose analogous rules where the redeemed shareholder has an excess loss account in the redeemed stock.

Sections 1.302-5(e) and 1.1502-19(b)(v) provide that with or as part of the income tax return for the year in which a redeemed shareholder (or its common parent, in the case where the redeemed shareholder is a member of an affiliated group filing a consolidated return) takes into account any suspended basis amount (or suspended excess loss account), the redeemed shareholder shall provide a statement entitled "Acceleration or Recovery of Suspended Basis Account" (or "Inclusion of Suspended Excess Loss Account"). The statement shall specify the amount of the suspended basis account (or suspended excess loss account) is taken into account on such return and shall identify the shares to which such amounts relate.

**32577. USE OF DATA**

This information is necessary to ensure that the redeemed shareholder's suspended basis account (or suspended excess loss account) is properly taken into account as a loss (or as ordinary income or gain) under the Code or regulations to the extent of the lesser of the amount of the suspended basis account (or suspended excess loss account) or the gain (or loss) recognized upon a disposition of other stock in the redeeming corporation.

**32578. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

**32579. EFFORTS TO IDENTIFY DUPLICATION**

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

**32580. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESS OR OTHER SMALL**

ENTITIES

Not applicable.

32581. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Not applicable.

32582. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

32583. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

A notice of proposed rulemaking was published in the **Federal Register** on October 18, 2002 (67 FR 64331). A public hearing was scheduled for February 20, 2003.

We received no comments during the comment period in response to the **Federal Register** notice (73 FR 47254), dated August 13, 2008.

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 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Under §1.302-5(e), it is estimated that 2,700 taxpayers annually will meet the requirements set forth in the proposed regulations and take into account the loss (or excess loss account) attributable to basis of redeemed stock (or include in income as income or gain). It is estimated that the average reporting burden will be 30 minutes.

The estimated frequency of responses is 1 time. Accordingly, the estimated annual reporting burden is 1,350 hours.

Under §1.1502-19(b)(5)(v), it is estimated that 300 taxpayers annually will meet the requirements set forth in the proposed regulations and take into account the loss (or excess loss account) attributable to basis of redeemed stock (or include in income as income or gain). It is estimated that the average reporting burden will be 30 minutes. The estimated frequency of responses is 1 time. Accordingly, the estimated annual reporting burden is 150 hours.

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 13, 2008 (73 FR 47254), 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 are no changes in burden at this time. This submission is being made for renewal purposes only.

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 regulations sunset 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 83-1

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.