

SUPPORTING STATEMENT (Revenue Procedure 2008-XX)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Internal Revenue Service has determined that some taxpayers have undisclosed interests in foreign accounts, foreign entities (including, but not limited to, corporations, partnerships, trusts and foundations), or both and may have used these accounts or entities in a manner that facilitated the nonreporting or underreporting of their United States tax liabilities. The Foreign Asset Disclosure Initiative described in Revenue Procedure 2008-XX provides taxpayers an opportunity to resolve their outstanding liabilities for prior tax years by filing correct tax and information returns, properly reporting their interest in all foreign accounts and entities and paying a penalty. The Foreign Asset Disclosure Initiative is a voluntary compliance program. Taxpayers who choose to participate in the initiative and who are eligible to do so must provide to the Service the information and material described in the revenue procedure.

2. USE OF DATA

The data collected from the Foreign Asset Disclosure Initiative will be used to enhance compliance with the tax laws.

3. USE OF IMPROVED TECHNOLOGY TO REDUCE BURDEN

Taxpayers may communicate with the IRS regarding the initiative by email. Application to participate in the initiative may not be made by email, however.

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 ENTITIES

The primary respondents for this initiative are individuals. The initiative is not expected to have a significant impact on a substantial number of small businesses or other entities, other than foreign entities that have been availed of to underreport United States tax liabilities.

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 THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Not applicable.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and return information are confidential as required by 26 USC § 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in Revenue Procedure 2008-XX is in Section 6 (APPLICATION), Section 8 (ADDITIONAL TAXPAYER REQUIREMENTS THAT A TAXPAYER MUST SATISFY WITHIN 150 DAYS AFTER THE SERVICE PRELIMINARILY DETERMINES THAT THE TAXPAYER IS ELIGIBLE TO PARTICIPATE IN THE FOREIGN ASSET DISCLOSURE INITIATIVE), and

Section 9 (FINAL DETERMINATION OF A TAXPAYER'S REQUEST TO PARTICIPATE IN THE OFFSHORE VOLUNTARY COMPLIANCE INITIATIVE). This information will be used to determine whether a taxpayer is eligible for the Foreign Asset Disclosure Initiative and to apply the terms of the initiative. This information will also further the Service's understanding of how the use of foreign accounts and foreign entities to avoid United States tax liabilities has been promoted and solicited.

In July 2008, Congress held hearings regarding the practice of sheltering United States earned income in foreign jurisdictions as a means of avoiding United States taxation. The Commissioner or another high-ranking IRS executive testified at those hearings and outlined some of the enforcement activities undertaken by the Service to combat this problem, including stepped up efforts in civil and criminal investigations. Although asked to quantify the level of evasion through the use of offshore entities or accounts, the executives testified that the IRS does not have data that will allow it to make a reliable estimate. One tool being used by the IRS to obtain this type of information is the court-approved service of John Doe summonses on foreign banks seeking account information on United States clients who may have used the foreign bank accounts to avoid United States income taxes. They also testified that the IRS is exploring its options on how to bring a potentially large number of United States taxpayer cases to resolution. The Foreign Asset Disclosure Initiative is one of those options, which is intended to have the effect of facilitating the resolution of many of these cases and providing the IRS with necessary information to enable it to identify additional persons who engaged in these activities as a promoter or participant and to gain a better understanding of the scope of the problem.

The estimated annual burden per respondent will vary from 50 hours to 100 hours, depending on individual circumstances, with an estimated average of 75 hours. In light of the foregoing, however, the IRS is currently unable to provide a reliable estimate of the number of respondents or the total annual reporting burden associated with the Foreign Asset Disclosure Initiative. Accordingly, the IRS is requesting provisional approval of the information collection on an emergency basis without those estimates and will provide estimates at the conclusion of the Foreign Asset Disclosure Initiative.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO TAXPAYERS

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

Not applicable.

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 the 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.