

Supporting Statement

29324. Circumstances Necessitating Collection of Information

Section 505(c) of the Internal Revenue Code of 1954 provides that an organization will not be recognized as exempt under section 501(c)(9) as a voluntary employees' beneficiary association, under section 501(c)(17) as a trust forming part of a plan for the payment of supplemental unemployment compensation benefits, or under section 501(c)(20) as a trust forming part of a qualified group legal services plan unless notification is given to the Internal Revenue Service. The temporary regulations provide that the notice is filed by submitting a properly completed and executed Form 1024, "Application for Recognition of Exemption Under Section 501(a)" together with specified additional information. The temporary regulations further provide that an organization or trust that has previously notified the Internal Revenue Service of its claim to exemption under sections 501(c)(9), (17) or (20) or its claim to exempt status under those sections pursuant to another provision of the Internal Revenue Code, is not required under section 505(c) to submit a renotification.

Section 1042(a) of the Internal Revenue Code of 1954 provides that a taxpayer may elect not to recognize gain on the sale of certain "qualified securities" to an employee stock ownership plan (ESOP) or worker-owned cooperative, where "qualified replacement property" is purchased within a specified period. Section 1042(b)(4) requires that a written statement (described in section 1042(b)(4)(B)) be filed along with such an election. The temporary regulations at section 1.1042-1T (Q&A-3) require that a taxpayer elect section 1042(a) treatment by attaching a statement to his income tax return. Section 1.1042-1T (Q&A-2(d)) requires the taxpayer to file a written statement of the employer whose employees are covered by the ESOP, consenting to the application of section 4978(a).

2. Use of Data

The information collected will be used to enforce the provisions of sections 505(c), and 1042.

3. 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.

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

No consultation of the affected parties was made due to the necessity of immediate guidance in compliance with the law, which necessitated the issuance of this temporary regulations project (with a cross reference notice of proposed rulemaking). The regulations were published in the **Federal Register** on February 4, 1986 (51 FR 4312; 51 FR 4391).

We received no comments in response to the **Federal Register** notice dated January 23, 2009 (74 FR 4304).

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 U.S.C. 6103.

11. Justification of Sensitive Questions

Not applicable.

12. Estimated Burden of Information Collection

Section 1.505(c)-IT (Q&A-2) of the temporary regulations requires a trust created pursuant to section 501(c)(20) and forming a part of a qualified group legal service plan under section 120 to file a copy of its trust instrument with the Internal Revenue Service. We estimate that approximately 600 trust instruments will be filed, and that it will take approximately .5 hour to complete this requirement. The total burden for this citation is 300 hours.

Section 1.505(c)-IT (Q&A-3) of the temporary regulation requires an organization or trust, which is seeking recognition under section 501(c)(9) or (c)(17), to notify the Internal Revenue Service that it is applying for recognition of exemption. The notice is filed by submitting a properly completed and executed Form 1024, "Application for Recognition of Exemption Under section 501(a)". This requirement requires the filing of Form 1024. The burden for this requirement is already reflected in the burden estimate for Form 1024.

Section 1.505(c)-IT (Q&A-4) of the temporary regulations requires an organization or trust seeking recognition of exemption under section 501(c)(9) or (17) to submit with the Form 1024 documents which contain the terms and conditions of eligibility for membership and the terms and conditions of eligibility for benefits. We estimate that approximately 600 of these documents will be filed and that it will take approximately 1.0 hour to complete this requirement. The total burden for this citation is 600 hours.

Section 1.505(c)-IT (Q&A-5) of the temporary regulations requires an organization or trust claiming exemption under section 501(c)(9) or (17), which is organized pursuant to a collective bargaining agreement to submit with the Form 1024 a copy of the collective bargaining agreement. We estimate that approximately 600 of these documents will be filed and that it will take approximately .5 hour to complete this requirement. The total burden for this citation is 300 hours.

Section 1.1042-IT (Q&A-3) of the temporary regulations requires a taxpayer to make the election in a statement which is attached to the taxpayer's income tax return. We estimate that approximately 5,000 taxpayers may make this election and that it will take approximately .5 hour to complete the statement. The total burden for this citation is 2,500 hours.

Section 1.1042-IT (Q&A-2(d)) requires that the taxpayer file with his income tax return a verified written statement of the employer whose employees are covered by the ESOP, consenting to the application of section 4978(a). We estimate that approximately 1,000 employers who maintain ESOPs may be required to execute such a written statement and that it will take approximately .25 hour to complete the statement. The total burden for this citation is 250 hours.

Section 1.1042-IT (Q&A-5) provides that the statute of limitations relating to the gain realized by a taxpayer who has failed to comply with section 1.1042-IT (Q&A's 3 and 2(d)) shall not begin to run until the taxpayer files a written notice of the taxpayer's intention not to purchase qualified replacement property within the replacement period or a written notice of the taxpayer's failure to make such purchase within the replacement period. We estimate that approximately 250 taxpayers may file such a written notice and that it will take approximately .20 hour to complete the notice. The total burden for this citation is 50 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 January 23, 2009 (74 FR 4304), 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 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 regulation 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.

