

SUPPORTING STATEMENT
(REG-122917-02)

1. **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 6039 of the Internal Revenue Code of 1986 requires all corporations that transfer stock to any person after 1979 pursuant to that person's exercise of a statutory stock option (as defined in sections 422 and 423 of the Code) to furnish that person with a written statement describing the transfer. In addition, the corporation may be required to furnish the person a second written statement when the stock originally transferred pursuant to the exercise of the statutory option is subsequently disposed of by the person. Section 6039 provides the Secretary with authority to promulgate regulations to carry out the purposes of this section.

2. **USE OF DATA**

The information on the statements required to be furnished by corporations will be used by the recipients so that they can complete their tax returns in the year of disposition of the statutory option stock.

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

We are considering the use of electronic filing to provide information to recipients, and we have requested comments from the public concerning this issue. IRS publications, 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**

We have been unable to reduce burden for small businesses.

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**

A notice of proposed rulemaking (EE-86-88, previously LR-279-81) was published in the Federal Register on February 7, 1984 (49 FR 4504). A public hearing was held on June 21, 1984. EE-86-88 was superseded by REG-122917-02 (NPRM) in the Internal Revenue Bulletin on July 7, 2003 (IRB 2003-27). The final regulation was published in the Federal Register on August 3, 2004 (69 FR 46401).

In response to the Federal Register Notice dated March 10, 2009 (74 FR 13044), we received no comments during the comment period regarding Reg-122917-02.

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**

This reporting requirement is under section 1.6039-1. We estimate that approximately 50,000 statements will be required of corporations because of the transfer of stock to a person after the exercise of a statutory stock option, or the subsequent transfer of stock to another person. We estimate that each statement will take approximately 20

minutes to prepare since the information required is readily available to the responding corporation. The total burden estimated is 50,000 x .333 = 16,650 hours. These estimates were determined after consultation with persons knowledgeable in the particular areas of the Internal Revenue Code affected. .

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 March 10, 2009 (74 FR 10344, 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**

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 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.