

**SUPPORTING STATEMENT
(REG-139768-02)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 5891 of the Internal Revenue Code imposes a 40 percent excise tax on any person who acquires directly or indirectly structured settlement payment rights in a structured settlement factoring transaction entered into on or after February 22, 2002.

2. USE OF DATA

The reporting requirements will be used to verify that the excise tax imposed under section 5891 is properly reported and timely paid.

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

A notice of proposed rulemaking (68 FR 7956) was published in the Federal Register simultaneously with temporary regulations (68 FR 7922) on February 19, 2003. The final regulation was published on July 8, 2004 (69 FR 41192).

We received no comments during the comment period in response to the **Federal Register** notice dated March 10, 2009 (74 FR 10343).

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 157.6011-1T provides that every person liable for tax under Code section 5891 shall file a return with respect to the tax on the form prescribed by the Internal Revenue Service. In general, §157.6071-1T requires that the return shall be filed on or before the ninetieth day following the receipt of structured settlement payment rights in a structured settlement factoring transaction. We estimate that approximately 4 persons per year will be liable for this excise tax. The reporting burden for this requirement will be reflected on Form 8876.

Section 157.6001-1T requires that every person liable for tax under section 5891 shall retain all records necessary to support the information reported on Form 8876. The burden for this requirement is reflected on Form 8876.

Section 157.6081-1T requires that persons requesting an extension of time to file Form 8876 must file the application in accordance with the forms and instructions provided by the IRS. We estimate that four persons per year will ask for extension of time to file. We estimate that this will take an average of 15 minutes per request. The burden for this requirement is 1 hour.

Section 157.6161-1T requires that persons requesting an extension of time to pay the tax shown on Form 8876 or determined as a deficiency shall make the request to the IRS. We estimate that four persons per year will ask for an extension of time to pay. We estimate that this will take an average of 15 minutes per request. The burden for this requirement is 1 hour.

The total burden for these two requirements is 2 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 March 10, 2009 (74 FR 10343), 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 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-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.