

SUPPORTING STATEMENT
(IRS Form 1120)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6012(a)(2) of the Internal Revenue Code requires that every domestic corporation file an income tax return. Regulations section 1.6012-2(a)(3) requires that Form 1120 be that income tax return.

If a corporation has income from the sale of capital assets, it must report it on Schedule D (Form 1120).

If a corporation is a personal service corporation, it uses Schedule H to determine if it has met the minimum distribution requirements of section 280H.

Schedule M-3 (Form 1120), Net Income (Loss) Reconciliation for Corporation With Total Assets of \$10 Million or More, is used to reconcile financial statement net income (loss) for the financial statement consolidation group to income (loss) per income statement for the U.S. consolidated tax group to taxable income reported on Form 1120.

If the corporation has assets in or business operations in a foreign country or a U.S. possession, it files Schedule N (Form 1120) (Regulations section 301.7701-2 and 3).

If the corporation is a personal holding company as described in section 541, and it has undistributed income, it files Schedule PH (Form 1120) (Regulations section 1.6012-2(b)).

2. USE OF DATA

The information contained on Form 1120 and Schedule PH is used to help verify that the corporation has correctly computed its income tax liability. Schedule D is used to determine if the corporation has correctly reported its gains and losses from the sale of capital assets. Schedule H is used to verify that personal service corporations are complying with the provisions of section 280H regarding limits on deductions for payments to employee-owners. The information provided on Schedule M-3 (Form 1120) is used to make differences between financial accounting net income and taxable income more transparent. Schedule N is used by IRS to capture international tax and passthrough entity information. Schedule O will be used by corporations that are members of a controlled group to show the adoption, amendment, or termination of an apportionment plan. It will also be used to show the apportionment of taxable income, income tax, and other tax benefits for members of the controlled group.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

At this time, we do not have electronic filing.

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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 1120 and Schedules.

In response to the Federal Register notice dated August 20, 2009 (74 F.R. 42162), we received 1 comment during the comment period regarding Form 1120. This comment was forwarded to the originating office for response.

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

The burden estimate is as follows:

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 1120	1,990,783	159.59	317,709,059
Schedule B	40,000	5.19	207,600
Schedule D	274,483	19.64	5,390,847
Schedule G	875,000	3.69	3,228,750
Schedule H	500	7.29	3,645
Schedule L	1,169,529	18.67	21,835,107
Schedule M-1	1,137,667	4.54	5,165,009
Schedule M-2	65,671	2.92	191,760
Schedule M-3	42,000	88.69	3,724,980
Schedule N	30,000	10.07	302,100
Schedule O	150,000	17.87	2,680,500
Schedule PH	97,334	24.34	2,369,110
Schedule UTP	<u>15,000</u>	<u>3.98</u>	<u>59,700</u>
Total	5,872,967	362.50	362,868,167

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

We have reviewed the following regulations and have determined that the reporting and recordkeeping requirements contained in them are entirely reflected in the burden of Form 1120. The justification appearing in Item 1 of the supporting statement applies both to these regulations and to Form 1120.

Please continue to assign OMB No. 1545-0123 to these regulations.

2.1 thru 26
38.1-6
3.2
6a.3
6.3

13.16-1
1.46-1(p)
1.47-47-4(a)(iii)
1.56-1T(c)(2)
1.56-1T(b)(5)
61.103A-2
1.103-10
5c.128-1
1.166-1(b)
1.166-4(c)
1.166-10(d)
5c.168(f)(8)-1
5c.168(f)(8)-2
5c.168(f)(8)-6
5c.168(f)(8)-8
1.170-3(b)
1.170A-11(b)
1.170A-(4)(A)(b)
1.243-3(b)
1.243-4(c), (e)
1.243-5(d), (f)
1.263(e)-1(a)(3)
1.265-2
1.266-1
1.279-6(h)
1.280H-1T(e)
1.280H-1T(b)(4)(ii)
1.281-4
1.305-3(d)(2)
1.316-1(b)(5)
1.332-4
1.332-6
1.333-3
2.333-6
1.337-5
1.337-6
1.341-7(b), (c)(1) & (2), (d)(1)-(3), (e)(3), (f)(3) & (4), (j)(1) & (5)
1.355-5(a) & (b)
1.358-5(e)
1.362-2
1.368-3(a)
1.368-3(b)
1.368-3(c)
1.371-1(c)(1)
1.371-1(c)(2)
1.371-2(d)(1)

1.371-2(d)(2)
1.374-3(a)
1.381(b)-1(b)(2)
1.381(b)-1(c)
1.381(c)(4)-1(a)
1.381(c)(4)-1(b)(2)
1.381(c)(5)-1(b)
1.381(c)(6)-1
1.381(c)(10)-1(b)(2)
1.381(c)(11)-1(k)
1.381(c)(13)-1(c)(2)
1.381(c)(4)-(1)(d)(2)
1.381-2(a), (b),(c) & (d)
1.382-IT(a)(2)(iii)
1.382-2
1.382-2T(a) (2) (ii)
1.382-2T(a)(2)(ii) (Notice 88-67)
1.404A-2
1.404A-6
14a.422A-1
1.441-1
1.441-2
1.442-1(c)
1.443-1(a)
1.443-1(b)
1.445-6
1.451-4(e)
1.455-6(a), (b),(c)
1.456-2(c), 6(a)(c), & 7(b)
1.471-2(c) & (d)
1.471-5
1.471-6(h) & (I)
1.471-8(a) & (f)
1.471-11(d)-2
1.482-2
1.533-2
1.534-2(d)
1.542-3(c)
1.545-2(a)(2), 2(h)(2), 3(e)
1.545-2(g)(5)
1.545-3(g)
1.547-3
1.547-3(a)
1.561-2(c)
1.562-3
1.563-2

1.564-1(d)
1.585-1(a)
1.585-3(b)
1.586-2
1.593-1(a), 6(a), 6A(a), & 6A(b)
1.593-6
1.593-6A
1.593-7(a)
1.595-1(e)
1.661-1
1.801-l(b)(1)
1.801-3(a)(2)
1.831-3
1.831-3(c)
1.832-4(a)(4)
1.832-5(b)
1.845-7
1.851-4
1.852-1
1.852-4
1.852-6(a) & (b)
1.852-6(c)(3)
1.852-9
5.852-1
1.853-3(a)
1.853-3(b)
1.853-4(a)(1)
1.853-4(a)(2)
1.854-2
1.854-4
1.855-1(b)
1.855-1(e)
1.856-2(b)
1.856-2(d)(3)
1.856-6(c)(3)
1.856-6(g)(1)
1.856-7(a)
1.856-7(b)
1.856-8(a)
1.856.8(d)
1.856-9
1.857-8(a),(d), & (e)
1.858-1(b)
1.858-1(e)
1.859-2
1.859-4

1.897-2
1.897-3
1.897-4
1.931-1(f)
1.954-1
1.955-2(d)(3)
1.955-3(b)
1.955-3(c)(2)
1.955-3(c)(3)
1.1081-11(h)
1.1081-4(h)
1.1081-11(b),(d),(e), & (g)
1.1102-2
1.1243-1
1.1244(e)-l(a)
1.1244(e)-l(b)
1.1279-6
1.1502-13(c)(3)
1.1502.13(c)(5)
1.1502-13(d)
1.1502-13(e)(1) & (2)
1.1502-13(f)(1)
1.1502-14(b)(1) & (3)
1.1502-16(a)(2)
1.1502-18(a) &(c)(2)
1.1502-18(f)(3)
1.1502-19(a)(1)
1.1502-32
1.1502-33(d)
1.1502-47(e)
1.1502-75(a)(1) & (2)
1.1502-75(d), & (g)
1.1502-75(h)(1), (2), & (3)
1.1502-75(j)
1.1502-76(b)(1) & (2)
1.1502-76(c)(2)
1.1502-77(a),(b), & (d)
1.1552-1
1.1552-1(c)
1 1561-3A(a)(1) & (a)(3)(iii)
1.1561-3A(b)(1)
1.1563-1(c)
1.1563-3(d)
36.3121(1)(3)-1
36.3121(1)(3)(b)
36.3121(2),(3)

36.3121(1)(7)-1
36.3121-1(7)-l(b)
47.4341-1
47.4345-1
1.6001-1
47.6001-1
47.6001-2
55.6001-2
55.6011-1
1.6012-2(a)
1.6012-2(a)(3)
1.6012-2(b)
1.6012-2(c)
1.6035-1
301.6035-1
1.6051-1
1.6062-1
1.6063-1
1.6065-1
1.6071-1
1.6072-1 & 2
1.6074-1
1.6074-2
1.6655-7T(e)(2)
1.6655-8T
1.6655-8T(b)
301.7001-1(c)
301.7501-7(b)
301.7507-8(a)
301.7507-9

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated August 20, 2009 (74 FR 42162), 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for Form 1120 is

\$1,813,109.

15. REASONS FOR CHANGE IN BURDEN

Form 1120, U.S. Corporation Income Tax Return, is used to report the income, gains, losses, deductions, credits, and to figure the income tax liability of a corporation. Changes to this collection and the creation of a new schedule, has resulted in a combined burden increase of 890,000 responses and 2,972,162 hours.

Form 1120 contains statutory changes to comply with the Housing and Economic Recovery Act of 2008. Under section 3081 of the Act, corporations may elect to claim additional research and minimum tax credits in lieu of claiming the additional first year depreciation under section 168(k) for certain property. The increase in allowable credit is treated as refundable. Accordingly, we have added line 32g to page 1 of Form 1120 for corporations to use for this credit. Schedule J, Form 1120, contains statutory changes relating to the American Recovery and Reinvestment Act. Section 1142 of the Act provides for the creation of a credit for certain plug-in electric vehicles acquired after February 17, 2009. Accordingly we have added line 5b, Schedule J, for corporations to claim this credit. Under section 3022 of the Housing and Economic Recovery Act of 2008, the low-income housing tax credit and the rehabilitation credit may offset the alternative minimum tax. Form 3800, General Business Credit, will now contain the calculation of the tax liability limitation. Accordingly, we have eliminated the check boxes on Form 1120, page 3, Schedule J, Tax Computation, line 5c, General business credit.

These combined statutory changes have resulted in a decrease in burden by -477,788 hours.

Schedule K, Form 1120, contains discretionary changes. The entry columns for Questions 4a and 4b were deleted. This entity information is now required to be provided on Schedule G (Form 1120) to address concerns raised by Treasury. Schedule B, Form 1120, contains discretionary changes. At the request of the Large and Mid-size Business (LMSB) unit (within the IRS), question 8 was replaced with new questions 8 and 9. The changes deleted language involving “mixed service costs” and used the term “indirect costs”. The changes also deleted references to the FERC (Federal Energy Regulatory Commission) method of accounting and expanded the range of entities subject to the questions. Question 10 was added at the request of LMSB to address future identification of potential section 118 abuses. Schedule G, Form 1120, was developed based on the discretionary suggestions of the Large and Mid-Size Business Unit (within the IRS) and Treasury to address disclosure issues pertaining to the information that was requested in Question 4 of the 2008 Form 1120, Schedule K. All discretionary changes to Schedule O, Form 1120, were made at the request of the Chief Counsel and Schedule O work group. New line 4 was added to clarify if the termination on line 3c or 3d was voluntary or involuntary. Lines 4, 5, and 6 were renumbered to read 5, 6, and 7. The language in line 7 was updated and a check box was added to identify corporations that have a short tax year that do not include December 31 to clarify how the allocations on pages two and three were determined.

The creation of new Schedule UTP (Uncertain Tax Position Disclosure Statement) is a result of discretionary actions as a result of Internal Revenue Service Announcements: 2010-9, 2010-17, and 2010-30. Existing business tax returns do not currently require that taxpayers identify and explain uncertain tax positions underlying their returns. The purpose of Schedule UTP (F1120) is to aid the Internal Revenue Service in focusing its examination resources on returns that contain specific uncertain tax positions that are of particular interest or of sufficient magnitude to warrant IRS inquiry and allow examination teams to identify all of the issues underlying the tax returns more efficiently. These discretionary changes resulted in a burden increase of 3,449,950 hours.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

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.

OMB EXPIRATION DATE

We believe the public interest will be better served by not printing an expiration date on the form(s) in this package.

Printing the expiration date on the form will result in increased costs because of the need to replace inventories that become obsolete by passage of the expiration date each time OMB approval is renewed. Without printing the expiration date, supplies of the form could continue to be used.

The time period during which the current edition of the form(s) in this package will continue to be usable cannot be predicted. It could easily span several cycles of review and OMB clearance renewal. In addition, usage fluctuates unpredictably. This makes it necessary to maintain a substantial inventory of forms in the supply line at all times. This includes supplies owned by both the Government and the public. Reprinting of the form cannot be reliably scheduled to coincide with an OMB approval expiration date. This form may be privately printed by users at their own expense. Some businesses print complex and expensive marginally punched continuous versions, their expense, for use in their computers. The form may be printed by commercial printers and stocked for sale. In such cases, printing the expiration date on the form could result in extra costs to the users.

Not printing the expiration date on the form(s) will also avoid confusion among taxpayers who may have identical forms with different expiration dates in their possession.

For the above reasons we request authorization to omit printing the expiration date on the form(s) in this package.