

**SUPPORTING STATEMENT  
REG-124312-02**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Regulations section 1.280G-1 amends the Income Tax Regulations to disallow the deduction for certain excess parachute payments. A parachute payment is any payment in the nature of compensation, to or for the benefit of a disqualified individual, that is contingent on the change in ownership or control of a corporation and that has (together with other payments) a present value of three times the individual's base amount.

Certain payments are exempt from the definition of parachute payment including payments with respect to certain small corporations. Under 1.280G-1, Q/A-7(a), payments by a small corporation are exempt if more than 75 percent of the shareholders entitled to vote approve the payments and the shareholders who are entitled to vote receive adequate disclosure of all material facts concerning all payments.

**2. USE OF DATA**

This information will be used by a corporation (assuming the shareholder approval requirements have been met) to determine if payments made to a disqualified individual are exempt from the definition of parachute payment.

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

We have no plans to offer electronic filing. IRS publication, 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**

Proposed Regulations were published in the Federal Register on May 5, 1989 (54 FR 19390) and on February 20, 2002 (67 FR 7630). Written comments were received concerning the proposed regulations; however, no one requested a hearing. We inadvertently omitted the inclusion of the paperwork burden analysis in the NPRM. The final regulation was published in the Federal Register on August 4, 2003 (68 FR 45745).

In response to the Federal Register Notice dated September 22, 2009 (74 FR 48349), we received no comments during the comment period regarding Reg-124312-02.

**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**

Under section 1.280G-1, Q/A-7, payments by certain small corporations are not treated as parachute payments if certain

shareholder approval and disclosure requirements are met. Section 1.280G-1, Q/A-7, provides that more than 75 percent of shareholders entitled to vote must approve the payments and the shareholders who are eligible to vote receive adequate disclosure of all material facts concerning all payments. The IRS estimates that the annual number of respondents will be 800; the burden per respondent will be 15 hour, and that the estimated annual reporting burden will be 12,000 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, the final regulations 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.

## **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.