

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Notice is necessary to provide guidance on the tax treatment of excess inclusion income of a Real Estate Investment Trust (REIT) that is or has created a Taxable Mortgage Pool (TMP). The relevant Code provisions require REITs and other pass-through entities to allocate the amount and character of their excess inclusion income to their record interest owners, under regulations prescribed by the Secretary. Those regulations have not been issued.

In general, the Notice provides interim guidance and requests comments from the public. The Notice requires certain REITs, partnerships and other pass-through entities that have excess inclusion income to allocate and disclose the amount and character of such income to their record interest owners in proportion to dividends paid or in accordance with other applicable tax provisions. The Notice also provides exemption from the reporting requirement to certain Regulated Investment Companies under certain circumstances.

2. USE OF DATA

The data will be used by the relevant taxpayers (to whom excess inclusion income is allocated from a REIT or another pass-through entity) to properly report and pay tax on such income.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The disclosure of information to third-parties (record interest owners of REITs or other pass-through entities) does not involve the use of automated, electronic, or other technological collection techniques.

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

This Notice was published in the Internal Revenue Bulletin (2006-46 I.R.B. 904), on November 13, 2006, to provide the public comments relating to any aspect of the notice.

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 Notice 2006-97.

In response to the Federal Register dated November 17, 2006 (71 F.R. 67020), we received no comments during the comment period regarding Notice 2006-97.

In response to the Federal Register dated February 4, 2010 (75 FR 5850), we received no comments during the comment period regarding Notice 2006-97.

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 5 of the Notice provides that certain REITs, partnerships and other pass-through entities that have excess inclusion income must allocate and disclose the amount and character of such income to their record interest owners, in proportion to dividends paid or in accordance with other applicable tax provisions. Certain Regulated Investment Companies under certain circumstances are exempt from the above allocation and disclosure requirements.

We estimate that 50 respondents will be required to comply with the above allocation and disclosure requirements. The estimated burden per respondent for recordkeeping/disclosure is from one to three hours with the average burden of two hours, for a total estimated burden of 100 hours annually.

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

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

In response to the Federal Register dated February 4, 2010 (75 FR 5850), we received no comments during the comment period regarding Notice 2006-97.

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 Notice 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.