

**SUPPORTING STATEMENT
(IA-56-87 and IA-53-87)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 56(a) of the Internal Revenue Code of 1954 imposes a 15 percent minimum tax on tax preference items, as defined in section 57, that are used by a corporate taxpayer. This tax is applicable for taxable years beginning after 1975, and before 1987. Section 58(h) of the Code provides that the Secretary shall prescribe regulations that adjust items of tax preference where the tax treatment giving rise to such items will not result in a tax benefit for any taxable year.

The regulation provides that if a taxpayer derives no current tax benefit from items of tax preference because of available credits, then no minimum tax is imposed on such preferences. The regulation further provides that taxpayers must reduce credits that are not used because of such preferences by the amount of minimum tax that would have been imposed if these preferences had produced a tax benefit.

The regulation provides that in determining the amount of minimum tax liability on non-beneficial preferences by which to reduce freed-up credit for each category and taxable year from which such credit is carried over, taxpayers may elect to use the simplified credit reduction method. Such an election must be made by attaching a statement indicating such an election that applies the adjustments of this regulation for the taxable year, to the amended return being filed. The election may be made separately for each taxable year for which an amended return is filed and may only be revoked with the permission of the Secretary.

The regulation also provides that taxpayers may claim a credit or refund of the minimum tax paid on non-beneficial preferences by filing an amended return for the taxable year for which such minimum tax was paid. Such amended return must apply the adjustments set forth in this regulation. Further, an amended return must be filed for any taxable year for which the amount of credit allowed for such year must be recomputed as a result of applying the credit reduction adjustments set forth in this regulation.

2. USE OF DATA

The data is used by the IRS to verify that the proper amount of both regular tax and minimum tax is being reported.

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.

We have no plans to offer electronic filing because of low filing volume compared to cost of electronic enabling.

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 was published simultaneously with temporary regulations on May 5, 1989 (54 FR 19409). At that time, the general public was given a 30-day period in which to review and provide comments relating to any aspect of the regulations. No public hearing was held. The final regulations were published on May 5, 1992.

In response to the **Federal Register Notice** dated November 19, 2009 (74 FR 60035), we received no comments during the comment period regarding IA-56-87 and IA-53-87.

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

Burden Estimation:

Section 1.58-9(e)(3) of this regulation requires taxpayers claiming a credit or refund to file an amended return for the taxable year for which a credit or refund of minimum tax is claimed. In addition, a tax liability for such year is changed as a result of applying the credit reduction adjustments of this regulation. We estimate that approximately 500 respondents will file such amended returns. The burden of this requirement is reflected on Form 1120X.

Section 1.58-9(c)(5)(iii)(B) of this regulation requires taxpayers that elect to use the simplified credit reduction method to make such election on a statement attached to an amended income tax return. We estimate that approximately 200 respondents will make such election and that it will take approximately .2 hours to make such election. The total burden estimate for this requirement is 40 hours.

Reporting respondents:	200
Number of responses per respondent:	<u>X 1</u>
Total number of responses:	200
Time per response:	<u>X .2</u>
Total burden:	40

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 November 19, 2009, 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 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.