

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 367(a)(1) of the Internal Revenue Code requires the recognition of gain on the transfer of property (including stock) by a U.S. person to a foreign corporation in connection with certain nonrecognition transactions. The regulations under §1.367(a) provide several exceptions to the general rule for transfers of stock provided that the U.S. person enters into a gain recognition agreement ("GRA") with the Service pursuant to which it agrees to recognize the gain realized but not recognized in the original transfer if the transferee foreign corporation disposes of the stock within the term of the GRA.

Section 367(b) of the Internal Revenue Code and regulation §§1-367(b) (0) through (b)(6) provide rules for foreign liquidations and reorganizations that involve one or more foreign corporations. The regulations provide guidance in determining the extent to which gain or income is recognized, the effect of the transaction on earnings and profits, basis of stock or securities and basis of assets. A person that enters into a transaction described in this section must file a notice with the Service providing information necessary to ensure compliance with this section.

2. USE OF DATA

The information required of U.S. persons that enter into GRAs will be used to determine the proper amount of gain to be recognized on the occurrence of a subsequent disposition of stock. The information required in §1.367(b)-1(c) will be used on audit to verify compliance with that section.

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 (REG-208165-91 (formerly IN-54-91)) and REG-209035-86 (formerly 178-86)) was published as one regulation in the **Federal Register** on August 26, 1991 (56 FR 41993). A public hearing was held on November 22, 1991. The final regulation (REG-208165-91(TD 8770)) was published in the **Federal Register** on June 19, 1998 (64 FR 15687). The final regulation (REG-209035-86 (TD 8862)) was published in the **Federal Register** on January 24, 2000 (65 FR 3589).

We received no comments during the comment period in response to the **Federal Register** notice (74 FR 60037), dated November 19, 2009.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 1.367(a)-8(b), in conjunction with §1.367(a)-3(b), requires certain U.S. persons that transfer stock or securities to a foreign corporation in an exchange described in section 367(a) to enter into GRAs, the terms of which are set forth in the regulations. We estimate that the preparation of a GRA will take approximately 8 hours and affect approximately 200 respondents annually. The total burden for this requirement is 1600 hours.

Section 1.367(a)-8(c) requires that such persons file annually a statement certifying that no gain has been triggered under the GRA. We estimate that preparation of such a statement will take .5 hours and affect approximately 200 respondents annually. The total burden for this requirement is 100 hours.

Section 1.367(a)-8(d) provides that no gain is triggered if the transferee foreign corporation disposes of the transferred stock in a nonrecognition transfer, provided that the U.S. person enters into a new GRA applicable to the new circumstances. Similarly, if a U.S. person (domestic corporate transferor) goes out of existence, §1.367(a)-8(e) requires the successor in interest to enter into a new GRA. We estimate that the preparation of such a new agreement will take 3 hours and affect 30 respondents annually. The total burden for this requirement is 90 hours.

Section 1.367(b)-1(c) requires that any person that realizes income (whether or not recognized) in any section 367(b) exchange must file with their income tax return for the year a statement containing certain information concerning the exchange. We estimate that the preparation of such a statement will take approximately 4 hours and affect 150 respondents annually. The total burden for this requirement is 600 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 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 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.

