

SUPPORTING STATEMENT
Revenue Procedure 98-20

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

A closing agent in a real estate transaction is required to file an information return with the Service reporting such information as the gross proceeds of the sale and the name and TIN of the seller. The Taxpayer Relief Act of 1997 provides an exception to this reporting requirement for the sale of a principal residence where all the gain is excludable from gross income. Under the Act, the exception only applies where the seller makes certain "written assurances in a form acceptable to the Secretary." This revenue procedure provides the written assurances (certification) that are acceptable to the Service.

2. USE OF DATA

The Service will not receive this data. A recordkeeper, such as a real estate business or closing agent in a real estate transaction, must retain the data for 4 years after the year of the transaction.

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

We have been unable to reduce the burden significantly for small businesses.

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 THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Revenue Procedure 98-20 was published in the Internal Revenue Bulletin on February 17, 1998 (1998-7 IRB 32).

We received no comments during the comment period in response to the Federal Register notice (75 FR 15490), dated March 29, 2010.

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 4 of the revenue procedure requires that a real estate reporting person obtain the certification from each seller of a principal residence in order to be exempt from filing an information return with the Service and from furnishing a payee statement to the seller reporting the real estate transaction. We estimate that approximately 2,300,000 sellers will make the certification and that it will take approximately 10 minutes to make the certification. The total time estimate for taxpayers to meet this requirement is 383,000 hours.

Section 5 of the revenue procedure requires that the real estate reporting person retain the certification for 4 years

after the year of the real estate transaction. We estimate that approximately 90,000 real estate reporting persons will be obliged to retain the certification and that it will take approximately 25 minutes per year to retain the certifications. The total time estimate for real estate reporting persons to meet this requirement is 37,500 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 March 29, 2010, 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 revenue procedure 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.