

SUPPORTING STATEMENT
(Form 5471, Schedules J, M, and O)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Sections 6035, 6038, and 6046 of the Internal Revenue Code require U.S. persons to report information with respect to their involvement with certain foreign corporations. Section 951 requires U.S. shareholders of a controlled foreign corporation (CFC) to report their pro rata share of the subpart F income of such CFC.

2. USE OF DATA

The IRS uses Form 5471 and the related schedules to verify that U.S. persons have correctly reported their income from the foreign corporation.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing on Form 5471.

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

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 Form 5471 and its schedules.

In response to the **Federal Register** notice dated **February 26, 2010 (75 FR 9023)**, we received no comments during the comment period regarding Form 5471 and its schedules.

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

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 5471	28,380	111.12	3,153,586
Schedule J	28,380	9.28	263,367
Schedule M	24,420	32.97	805,128
Schedule O	<u>4,950</u>	11.75	<u>58,163</u>
	86,130		4,280,244

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following regulations imposed no additional burden. Please continue to assign OMB number 1545-0704 to these regulations.

- 1.556-2(a) & (c)
- 1.956-1(e)
- 1.956-2(b)(2)

1.959-1(d)
1.959-2(a)
1.962-2(a) & (b)
1.962-2(c)(2)
1.962-3(b) & (c)
1.962-4
1.964-1(f)
1.6035-1, 2, & 3
1.6038-2
1.6046-1, 2 & 3

We have reviewed these regulations and have determined that the reporting requirements contained in them are entirely reflected on Form 5471. The justification appearing in item 1 of the supporting statement applies both to these regulations and to Form 5471.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated **February 26, 2010 (75 FR 9023)**, 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for Form 5471 and its schedules is \$247,592.

15. REASONS FOR CHANGE IN BURDEN

Form 5471 was changed to include six new lines and one new code reference. Schedule M (Form 5471) was changed to include thirty new lines and two new code references. These changes resulted in an increase in burden hours for a total of 4,280,244 burden hours.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

See attachment.

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.