

SUPPORTING STATEMENT
INTL-870-89

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 163(j) concerns the limitation on the deduction for certain interest paid by a corporation to a related person. This provision generally does not apply to an interest expense arising in a taxable year in which the payer corporation's debt-equity ratio is 1.5 to 1 or less. Proposed §1.163(j)-5(d) provides a special rule for adjusting the basis of assets acquired in a qualified stock purchase. This provision allows the taxpayer, in computing its debt-equity ratio, to elect to write off the basis of the stock of the acquired corporation over a fixed stock write-off period, instead of using the adjusted basis of the assets of the acquired corporation.

2. USE OF DATA

The data obtained by the IRS from the various elections and identifications is used to verify that taxpayers have, in fact, elected special treatment under section 163(j).

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 was published in the Federal Register on June 18, 1991 (56 FR 27907). A public hearing was held on September 25, 1991.

In response to the Federal Notice dated **June 2, 2010 (75 FR 30904)**, we received no comments during the comment period regarding INTL-870-89.

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 1.163(j)-5(d) provides that a taxpayer which acquires a corporation in a qualified stock purchase may elect to amortize the basis of the stock of the acquired corporation over a fixed write-off period rather than use the adjusted basis of the assets of the acquired corporation to determine the corporation's debt-equity ratio for §163(j) purposes. The election to use the fixed stock write-off method, a benefit to taxpayers, is made by attaching a statement to the taxpayer's return for the year it elects to use the fixed stock write-off method. The taxpayer must also attach a statement for the year in which the taxpayer elects out of the fixed stock write-off method. Thus, with respect to a qualified stock purchase two statements will generally be required by the taxpayer. The total burden for

these requirements is estimated to be 1,150 hours.

Reporting respondents	2,300
Time per response	<u>31 minutes</u>
Total burden	1,196 hours

In addition, in very rare instances a taxpayer may elect to use a longer fixed stock write-off period for long-lived assets. This will involve additional information which will take approximately 2 hours. The total number of taxpayers expected to be affected are 23 or fewer, so that the burden for this election is 46 hours. This election to use the special fixed stock write-off period will be beneficial to the taxpayer.

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 February 22, 2007 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.

In response to the Federal Notice dated **June 2, 2010 (75 FR 30904)**, we received no comments during the comment period regarding INTL-870-89.

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.