

SUPPORTING STATEMENT

Re: Notice 2010-28

Stripping Transactions for Qualified Tax Credit Bonds

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 15316(a) of the Food, Conservation, and Energy Act of 2008 (the Act) added new § 54A providing for tax credits to holders of tax credit bonds (bondholders). The Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 expanded the authority to issue qualified tax credit bonds by adding new types of bonds and increasing the volume cap for existing qualified tax credit bonds. Tax credit bonds under § 54A are bonds issued by states and local governments (and certain other eligible issuers) the proceeds of which are used to finance specified purposes such as education, energy conservation, and production of renewable energy. In lieu of paying interest, tax credit bonds provide tax credits (credit coupons) that bondholders can use against their federal income tax liability. Section 54A(i) provides that, under regulations (or other guidance) provided by Treasury, there may be a separation of ownership (stripping) of the credit coupons from the tax credit bond.

Tax credits are direct claims against the Federal government. When a tax credit bond is not stripped, the claim can be tracked to the taxpayer receiving the principal payment on the bond, but with great difficulty. When a tax credit bond is stripped, the credit coupon is transferred to a party other than the bondholder. This significantly increases the difficulty of verifying that the taxpayer claiming a credit with respect to a stripped credit coupon is entitled to claim the credit.

2. USE OF DATA

The collection of information in this notice informs the bondholders and the IRS whether a particular issue of tax credit bonds may be stripped and assigns unique identifiers to each credit coupon. This allows the IRS to track the credits by the unique identifier and ensures that only taxpayers holding stripped credit coupons with unique

identifiers take the appropriate amount of tax credits under § 54A.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

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

This notice was published in the Internal Revenue Bulletin (2010-15 I.R.B. 541), on April 12, 2010, to describe regulations that the Treasury Department and the Internal Revenue Service (IRS) expect to issue concerning both stripping transactions for qualified tax credit bonds under section 54A of the Internal Revenue Code and certain income tax accounting matters associated with holding and stripping these bonds.

In response to the Federal Register notice (75 FR 33386),

dated June 11, 2010, we received no comments during the comment period regarding these proposed and temporary regulations.

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

The Notice requests issuers of qualified tax credit bonds to report the designation of the bonds as strippable on an existing IRS Form 8038 (or another form designated for such purpose by the IRS) and to attach debt service schedules if issuers elect to receive direct payments of the refundable credit from the Federal government.

We estimate the total number of respondents to be 1,000 and the total annual responses to be 1,000.

We estimate it will take 1 hour to comply.

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 June 11, 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 responses from taxpayers on this subject. As a result,

estimates of these 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 were no changes made to the document that resulted in any change to the burden previously reported to 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 notice provisions 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.