

## SUPPORTING STATEMENT

### 1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 501(e) of the Internal Revenue Code of 1954 exempts from taxation certain organizations which provide specified services to exempt hospitals on a centralized basis. Section 501(e) sets forth the requirements which must be met in order for a cooperative hospital service organization to qualify for exemption. For example, section 501(e)(1)(A) specifically enumerates the types of activities such an organization may undertake,. Section 501(e)(1)(B) provides that the specified services must be performed solely for two or more hospitals, each of which is recognized as exempt under section 501(c)(3) or owned by the United States, a State or one of its political subdivisions. In addition, a cooperative hospital service organization must be organized and operated on a cooperative basis, any capital stock of the organization must be held by its patron-hospitals, and patronage refunds of all net earnings must be made to such patrons within 8 ½ months of the close of the taxable year. See, section 501(e)(2). Treas. Reg.

§1.501(e)-1(b)(1) refers to the regulations under section 521 for the recordkeeping requirements.

### 2. USE OF DATA

The recordkeeping requirements will be used, upon audit, to verify that an organization is operating in conformity with section 501(e).

### 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 January 11, 1984 (49 FR 1384). At that time the public was given a 60-day period in which to review and refer comments relating to any aspect of the proposed regulations. A public hearing was held on May 31, 1984. Final regulations (TD 8100), were published on September 4, 1986 (51 FR 31613).

We received no comments during the comment period in response to the **Federal Register** notice (75 FR 38180), dated July 1, 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

Under section 1.501(e)-1(b)(1), the recordkeeping requirement does not create any additional burden on taxpayers because the records which the regulations require would ordinarily be kept by a cooperative as a routine part of its day-to-day business operations (e.g., quantity or value of business transacted with each patron and amounts allocated or paid to each patron). We are showing a nominal 1 recordkeeper and 1 burden hour for processing purposes.

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 July 1, 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 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.