

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The attached notice of proposed rulemaking provides that the taxable year of any specified foreign corporation shall be the required year determined under section 898(c). The regulations are necessary because of changes to the applicable tax law made by the Omnibus Budget Reconciliation Act of 1989 (Pub. L. 101239, 103 Stat. 2106).

2. USE OF DATA

The information will be processed by the IRS and used in the administration of the Internal Revenue laws to assess the reported tax and determine whether taxpayers have complied with the statutory provision (section 898) relating to whether specified foreign corporations have conformed their taxable year to the required year.

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 by utilizing an existing form (Form 5471) that must be filed by most United States shareholders anyway. We do require that, for United States shareholders that select a required year based on the taxable year with the least aggregate deferral of income, that those taxpayers attach a computation to the Form 5471 showing their calculations so that we can ensure that the taxable year that produces the least aggregate deferral of income was selected. For specified foreign corporations that are electing or revoking the one-month deferral election, we require no additional paperwork. Only when a specified foreign corporation seeks to re-elect the one-month deferral do we require an existing form (Form 1128) to be filed.

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**

The notice of proposed rulemaking was published in the Federal Register on January 5, 1993 (58 FR 290).

In response to the Federal Register Notice dated July 29, 2010 (75 FR 44845), we received no comments during the comment period regarding Reg-208985-89.

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**

Sections 1.898-4(a)(2) and (b)(2) provide rules under which taxpayers who have changes in their required year must state so on the Form 5471. The burden for this requirement is reflected in the burden of Form 5471.

Section 1.898-4(b)(2)(v) provides a rule that taxpayers requesting the Commissioner's consent to reelect the 1-month deferral must file a Form 1128. The burden for this requirement is reflected in the burden of Form 1128.

Section 1.563-3 provides that a foreign personal holding company that designates certain dividends as being taken into account under section 563(c) must make the designation on an attachment to Schedule N of Form 5471. We estimate that approximately 100 taxpayers will be affected and it will take approximately 1 hour to prepare the information. The estimated total burden for this requirement is 100 hours.

Section 1.898-3(a)(4)(iv) provides that taxpayers who select the least aggregate deferral taxable year must attach a statement to their Form 5471 showing the calculations of deferral. We estimate that approximately 600 taxpayers will be affected and it will take approximately 1 hour to prepare the information. The estimated total burden for this requirement is 600 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 **July 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 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.