

SUPPORTING STATEMENT
26 CFR 1.932-1 (FORMERLY NOT-2007-19 AS AMENDED BY NOT
2007-31)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 6501(a) of the Internal Revenue Code of 1986 (Code) provides the general rule that the amount of any tax imposed shall be assessed within 3 years after the return was filed. For purposes of section 6501(a), the period of limitations begins to run on the day after the return is filed. Code section 932 and the regulations there under contain special income tax return filing rules for bona fide residents of the United States Virgin Islands (USVI). Under section 932(c) (4), if a bona fide resident properly files his income tax return in the USVI, reports all income from all sources, identifying the source of each item shown, and fully pays his tax liability, then his gross income for US income tax purposes does not include any amount included on such USVI return. Because of this exclusion, a bona fide resident of the USVI may not have to file an income tax return with the IRS. However, because an income tax return has not been filed with the IRS, the limitations period under section 6501(a) will not begin to run with respect to a U.S. income tax deficiency.

This Regulation concerns the statute of limitations on assessment of the U.S. income tax liability, if any, of U.S. citizens or resident aliens who are bona fide residents of the USVI. In general, the Regulation provides rules allowing bona fide residents of the USVI to start the period of limitations by properly filing a return with the USVI tax administration and, in the case of individuals with \$75,000 or more of gross income during the taxable year, by filing an income tax return with the IRS reporting no gross income and no taxable income on lines 22 and 43 (in addition to a proper USVI filing). The Regulation provides for a new collection of information in the form of an annual information statement, under sections 932(c) and 7654, for U.S. citizens or residents with \$75,000 or more of gross income who claim bona fide residency status in the USVI. Taxpayers subject to the new collection of information must attach a statement to their US 1040 return, for taxable years ending on or after December 31, 2006, that answers several questions relating to their claim of bona fide residency status in the USVI.

2. USE OF DATA

The collection of information is a requirement that a statement be filed with the IRS that contains certain facts and representations relating to a taxpayer's claim that he or she is a bona fide resident of the USVI. This collection of information is necessary for the proper performance of the IRS because it notifies the IRS of a bona fide resident's position that he or she is not required to file a federal

income tax return. The statement provides the IRS with minimally necessary information, including the amount of gross income and tax reported to the USVI, as well as an affirmation that the individual properly filed an income tax return with the USVI and qualifies as a bona fide resident of the USVI.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. 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

In response to the Federal Register notice dated **June 25, 2010, (7 36476)**, we received no comments during the comment period regarding 26 CFR 1.932- (Formerly Not-2007-19 As Amended By Not- 2007-31).

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 collection of information in this Regulation can be found in Section 2 of Notice 2007-19. This information is required to determine if a taxpayer satisfies the requirements of bona fide residence in the U.S. Virgin Islands under section 937(a). The information will be used to determine if a taxpayer satisfies his or her U.S. income tax filing requirements.

For taxable years ending on or after December 31, 2006, U.S. citizens and residents claiming bona fide residency status in the USVI with \$75,000 or more of gross income must attach an information statement that answers several questions relating to their claim of bona fide residency status in the USVI. The information statement must contain the following: (a) the taxpayer's name, social security number, and address as reported on US Form 1040, (b) a statement affirming the taxpayer's bona fide residence in the U.S. Virgin Islands as defined in Treas. Reg. § 1.937-1(b) (or Treas. Reg. §§ 1.871-2 through 1.871-5, with respect to taxable years ending before October 22, 2004) and a brief summary of the facts on which it is based, and (c) a statement of the total tax liability reported on the USVI Form 1040, the amount of gross income reported on such return (adding back any applicable territorial tax benefits described in section 934(b)), and an affirmation that the non-covered person has properly filed a U.S. Virgin Islands individual income tax return.

We estimate that approximately 8,500 taxpayers will submit information reporting statements annually, and that the estimated annual burden per respondent varies from 4 to 6 hours, depending on individual circumstances, with an estimated average of 5 hours. The total annual reporting burden is estimated to be 42,500 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 **June 25, 2010, (75 FR 36476)**, 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. This form is being submitted for renewal purposes only.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

Not applicable.

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.