

SUPPORTING STATEMENT
(Form 1116)

. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 901 of the IRC allows a foreign tax credit subject to the limitations of IRC section 904. Form 1116 is used to determine the foreign tax credit. If a taxpayer had taxes paid or accrued on more than one type of foreign income, he or she would use a separate Form 1116, Part I, II, III, for each type, and combine them on one Form 1116, Part IV.

. USE OF DATA

This information is used by IRS to determine if the foreign tax credit is properly computed.

. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 1116 is currently available.

. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

. 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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the

National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 1116.

In response to the Federal Register Notice dated July 29, 2010 (75 FR 44850), we received no comments during the comment period regarding Form 1116.

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

	<u>Responses</u>	<u>Response</u>	Number of Time per <u>Total</u> <u>Hours</u>
Form 1116	4,143,255	6.05	
	25,066,693		

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0121 to these regulations:

1.904(f)-1 thru 6

1.861-9T

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

The primary cost to the government consists of the cost of printing Form 1116. We estimate that the cost of printing the form is \$7,775.

15. REASONS FOR CHANGE IN BURDEN

Form 1116

A line was added for high-tax kick-out reclassification.

The high tax kick out reclassification (HTKO) occurs when highly taxed passive income must be treated as general category income under IRC 904(d)(2)(F). In effect, this provision recategorizes (or "kicks out") passive income as general category income if the foreign taxes paid on the income exceed the highest U.S. tax that can be imposed on the income.

Line 13 was added at the request of Chief Counsel. The HTKO was previously a write-in item and adding a separate line for the HTKO makes the entry simpler for both filers and the Service. It doesn't result from a new law but instead was added to ease administration. The new line also makes Form 1116 consistent with Form 1118, Foreign Tax Credit-- Corporations, (Schedule B, line 4).

The above change results in a net burden increase of 2,972,719 program hours.

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

See attachment.

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.