

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1503(d) denies to an affiliate the use of the loss of a domestic corporation that is subject to an income tax of a foreign country without regard to whether such income is from sources in or outside such foreign country, or is subject to such tax on a residence basis ("dual resident corporation").

The regulation provides an exception to the general rule where there currently is no person, corporation, or entity which, under foreign law, can use the loss to offset income, but the loss can be carried forward and used to reduce income of another corporation. An affiliate may use the loss under those circumstances if the affiliated group with which the loss corporation files a consolidated return files an agreement to take the loss into income upon future use of such loss by a person, corporation, or entity (other than the loss corporation) under the income tax laws of the foreign country.

The regulation also imposes a requirement in those instances in which the dual resident corporation is a member of an affiliated group that files a consolidated return. In order to prevent the dual consolidated loss of a dual resident corporation that is a member of a consolidated return group from being used to offset the income of another member, a separate accounting is required for the losses incurred by the dual resident corporation.

2. USE OF DATA

The collection of information is necessary so that a narrow exception may be provided to the general rule while still preventing the abuse that the statute was intended to eliminate.

Without the information, it would be impossible to provide taxpayers with the option of an exception to the general disallowance rule, and the statute would necessarily impact on taxpayers that are not engaged in the abuse the statute was intended to curtail.

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**

We have been unable to reduce the burden for small businesses.

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**

We received no comments during the comment period in response to the **Federal Register** notice dated August 9, 2010 (75 FR 47894).

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 total number of respondents for this regulation is 500 with a total net burden of 1,620 hours.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** notice dated August 9, 2010 (75 FR 47894), 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.