

SUPPORTING STATEMENT
PS-268-82

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1.1377-1(b)(4) of the regulation provides that an S corporation makes an election under section 1377(a)(2) (terminating election) by attaching a statement to its timely filed original or amended return required to be filed under section 6037(a). The statement must provide, among other things, information concerning the events that gave rise to the election and declarations of consent from the S corporation shareholders.

2. USE OF DATA

In order for the Internal Revenue Service to ensure that S corporations making a terminating election do so properly and receive the required shareholder consents, it is necessary that this information be submitted. The information will then be used by the Internal Revenue Service in the event of an audit to determine if the taxpayer is complying with the law.

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

The notice of proposed rulemaking was published in the Federal Register on July 12, 1995 (60 FR 35882). No public hearing was held because no hearing was requested. The final regulations were published in the Federal Register on December 23, 1996 (61 FR 67454).

We received no comments during the comment period in response to the Federal Register Notice dated September 16, 2010 (75 FR 56659).

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 126 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 1.1377-1(b)(4) of the regulation provides that an S corporation making a terminating election must attach a statement to its return providing (1) a declaration of the election, (2) information regarding the events that gave rise to the election, (3) an authorized signature on behalf of the corporation, and (4) consent statements from all of the shareholders. We estimate that 4,000 S corporations will be affected by this provision and that it will take an average of 15 minutes to submit the required information. The total burden of this reporting requirement is 1,000 hours.

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated September 16, 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 responses from taxpayers on this subject. As a result, estimates of these 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. EXCEPTION TO 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.