

SUPPORTING STATEMENT

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 7701(l) of the Internal Revenue Code authorizes the Secretary to prescribe regulations recharacterizing any multiple-party financing transaction to prevent the avoidance any tax imposed by the Internal Revenue Code.

Section 1.7701(l)-3 of the Income Tax Regulations recharacterizes fast-pay arrangements. In general, a fast-pay arrangement is any arrangement in which a corporation has outstanding fast-pay stock and non-fast-pay stock. Fast-pay stock is stock structured so that dividends paid with respect to the stock are economically (in whole or in part) a return of the holder's investment (as opposed to only a return on the holder's investment). The recharacterization is necessary to prevent the avoidance of tax.

The regulations require certain participants in fast-pay arrangements to file a statement with their returns. The statement must identify the corporation that issued the fast-pay stock, and (to the extent the filing taxpayer knows or has reason to know) the terms of the fast-pay stock, the date on which it was issued, and the names and taxpayer identification numbers of any shareholders of any class of stock (of the issuing corporation) not traded on an established securities market.

USE OF DATA

The Internal Revenue Service will use the data to identify fast-pay arrangements, to ensure compliance with the required recharacterization, and to determine whether the amount of tax has been computed correctly.

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

EFFORTS TO IDENTIFY DUPLICATION

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

METHOD TO MINIMIZE BURDEN ON SMALL BUSINESS OR OTHER SMALL ENTITIES

Not applicable.

CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Not applicable.

. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

. 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 6, 1999 (64 FR 805). Because no one requested to speak at the public hearing, the hearing was canceled. The final regulation was published in the Federal Register on January 10, 2000 (65 FR 1310).

We received no comments during the comment period in response to the Federal Register notice dated October 12, 2010 (75 FR 62628).

. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. § 6103.

. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 1.7701(l)-3 recharacterizes certain fast-pay arrangements and requires certain participants to file annual statements with their returns. We estimate that a total of 50 taxpayers will be required to file such statement. We estimate an average annual burden per respondent of 1 hour. The total burden for this requirement is 50 hours.

Estimate 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 October 12, 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 IRS 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 and 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.