

**SUPPORTING STATEMENT
(TD 8697)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 7701 of the Internal Revenue Code defines the terms *corporation* and *partnership*, but does not provide rules for distinguishing between the two terms. Section 301.7701-2 of the regulations provides definitions of these terms. Because some organizations can be classified as either corporations or partnerships, section 301.7701-3 of the regulations allows these organizations to choose their tax classification by election.

Section 301.7701-3(b) of the regulations provides "default" rules, under which a majority of unincorporated business organizations will be classified. Any such organization that wants to be classified under the applicable default rule is not required to make an election.

If an unincorporated business organization does not want to be classified under the applicable default rule, section 301.7701-3(c) allows it to file an election on which it chooses to be classified as either a corporation or a partnership. The election is made by filing Form 8832, Entity Classification Election.

2. USE OF DATA

The data is used by the Internal Revenue Service and taxpayers to verify the classification of an unincorporated business organization.

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 final regulation (TD 8697), was published in the Federal Register on December 18, 1996 (61 FR 66584).

In response to the Federal Register Notice dated May 12, 2011, (76 FR 27753), we received no comments during the comment period regarding TD 8697.

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

Section 301.7701-3(c) allows certain unincorporated business entities to file an election to choose their classification for federal tax purposes. The burden of that election is reflected in the burden of Form 8832.

Estimates of the annualized cost to respondents for the burden of Form 8832 are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated May 12, 2011, (76 FR 27753), 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, during the comment period 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.