

**SUPPORTING STATEMENT  
(REG-106879-00)**

**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").

This document proposes regulations under section 1503(d) regarding the events that require the recapture of certain net operating losses of dual resident corporations ("dual consolidated losses"). These regulations are issued to facilitate compliance by taxpayers with the dual consolidated loss provisions. The proposed regulations generally provide that certain events will not require recapture of a dual consolidated loss and require the reporting of certain information. This document also proposes certain conforming changes to the current regulations and provides notice of a public hearing on the proposed regulations.

**2. USE OF DATA**

The collection of information relates to the requirement that statements be filed with the IRS with respect to the acquisition of an unaffiliated dual resident corporation, an unaffiliated domestic owner of a dual resident corporation, or a consolidated group including a dual resident corporation in order to avoid or defer recapture of a dual consolidated loss. This collection of information is necessary for the proper performance of the function of the IRS because it notifies the IRS of the occurrence of an event that would trigger recapture of dual consolidated losses and require the collection of such dual consolidated losses and accrued interest except for these provisions.

**3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

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**

This notice of proposed rulemaking will be published in the Federal Register to provide the public a 60-day period in which to review and provide public comments relating to any aspect of the proposed regulation. Final Regulations were published in the Federal Register on July 30, 2003 (68 FR 44616).

In response to the **Federal Register Notice** dated **July 12, 2011, (76 FR 40985)**, we received no comments during the comment period regarding REG-106879-00.

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**

Burden estimation:

The collection of information in this proposed regulation is in §§1.1503-2(g)(2)(iv)(A)(4) and (5). The collection of information relates to the requirement that statements be filed with the IRS with respect to the acquisition of an unaffiliated dual resident corporation, an unaffiliated domestic owner of a dual resident corporation, or a consolidated group including a dual resident corporation in order to avoid or defer recapture of a dual consolidated loss and the payment of an interest charge. This collection of information is necessary for the proper performance of the function of the IRS because it notifies the IRS that a future triggering event may require the recapture of specified dual consolidated losses by the new consolidated group. The likely respondents will be corporations acquiring overseas business operations.

A statement must be attached to the first consolidated return of the acquiring group that includes the dual resident corporation setting forth the information required in §1.1503-2(g)(2)(i)(B), the amount of each dual consolidated loss, and the year incurred, and must reference paragraph (g)(2)(iv)(A)(5) of these regulations. We estimate that approximately 15 taxpayers will wish to rebut the presumption of the amount of recapture annually, and that it will take approximately 2 hours to prepare the documentation. The total reporting burden is estimated to be 30 hours.

The proposed regulations further require the continued reporting of certain information, when applicable, by the acquiring group on its subsequently filed consolidated U.S. income tax return, as provided in § 1.1503-2(g)(2)(vi). We estimate that approximately 15 taxpayers will be subject to the continued reporting provided in § 1.1503-2(g)(2)(vi), and that it will take approximately 2 hours to prepare such a report. The total reporting burden is estimated to be 30 hours.

The total burden for this regulation is 60 hours.

Estimates 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 **July 12, 2011**, requested public comments on 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 burden previously approved by OMB.

**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.