SUPPORTING STATEMENT
(CO-26-96)

15932. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 382 of the Internal Revenue Code applies to a loss corporation that has an ownership change. Generally, an ownership change occurs if there is a shift in the percentage ownership of stock of the loss corporation of more than fifty percentage points during a three-year period. If a loss corporation has an ownership change, the amount of its taxable income for a post-change taxable year that may be offset by its net operating losses arising before the ownership change is limited by an amount known as the section 382 limitation. The section 382 limitation for a taxable year after an ownership change is generally equal to the fair market value of the stock of the corporation immediately before the ownership change multiplied by the long-term tax-exempt rate (a rate of return published periodically in the Internal Revenue Bulletin).

Section 382(m)(5) provides regulatory authority for rules regarding the application of section 382 so that value, built-in gain and loss, and other items are not omitted or taken into account more than once in the case of any group of controlled corporations. For this purpose, a controlled group is generally a group of corporations described in section 1563(a).

The regulations are intended to implement the directive of section 382(m)(5). They require a member of a controlled group to reduce the value of its stock by the value of stock of other members of the controlled group that it owns on the date of an ownership change. Following this reduction, a member may elect to restore some or all of the value to another member. This election is contained in §1.382-8(h). The loss corporation must file a statement signed by it and any other member of the controlled group that elects to restore value to it indicating relevant information regarding the election.

15933. USE OF DATA

The data is used by the loss corporation and other members of the controlled group and the Internal Revenue Service to identify ownership changes, and to ensure that the loss limitation is properly imposed.

15934. 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.

15935. EFFORTS TO IDENTIFY DUPLICATION

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

15936. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

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

15937. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Not applicable.

15938. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

15939. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

The regulations were published as a Notice of Proposed Rulemaking (CO-77-90) in the **Federal Register** on February 4, 1991 (56 FR 4183), which provided the general public with a 60 day period to review and provide public comments relating to any aspect of the proposed regulations. On June 27, 1996, the notice of proposed rulemaking (CO-77-90) was withdrawn and was reissued as a new notice of proposed rulemaking (CO-26-96) by cross-reference to a temporary regulation (61 FR 33391). The final regulations were published in the **Federal Register** on July 2, 1999 (64 FR 36175).

In response to the **Federal Register Notice dated May 29, 2012 (77 FR 31687)**, we received no comments during the comment period regarding CO-26-96.

15940. 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 1.382-8(h) provides that the loss corporation must file a statement signed by it and any other member of the controlled group that elects to restore value to it indicating relevant information regarding the election. It is estimated that the number of taxpayers subject to this requirement is 21,000, representing half of the estimated number of corporations that are members of controlled groups. It is estimated that the annual burden per respondent will be fifteen minutes, representing the time necessary to prepare the election to restore value. It is estimated that the average frequency of preparing an election to restore value is once every six years, representing the frequency of ownership changes of corporations. Thus, the total annual burden will be (21,000 x .25 hours)/6 = 875 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 May 29, 2012**, 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.