

SUPPORTING STATEMENT
IA-7-88 (TD 8379 – final)
OMB No. 1545-1049

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 5881 of the Internal Revenue Code of 1986 imposes a nondeductible excise tax on any person with respect to receipt of greenmail. This tax is equal to 50 percent of the gain realized, whether or not recognized, by the person on the receipt of greenmail.

2. USE OF DATA

The reporting requirements will be used to verify that the excise tax imposed under section 5881 is properly reported and timely paid.

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

A notice of proposed rulemaking was published in the *Federal Register* on June 10, 1991(56 FR 26631). No public hearing was requested or held. The final regulations (TD 8379), were published in the Federal Register on December 17, 1991 (56 FR 65684).

In response to the *Federal Register* notice dated February 2, 2012 (77 FR 5306), we received no comments during the comment period regarding IA-7-88 (TD 8379-final).

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 155.6011-1 provides that every person liable for tax under Code section 5881 shall file a return with respect to the tax on the form prescribed by the Internal Revenue Service. In general, §155.6071-1 requires that the return shall be filed on or before the ninetieth day following receipt of greenmail. We estimate that approximately 12 persons per year will be liable for the excise tax. The reporting burden for this requirement will be reflected on Form 8725.

Section 155.6001-1 requires that every person liable for tax under section 5881 shall retain all records necessary to support the information reported on Form 8725. The burden for this requirement is reflected on Form 8725.

Section 155.6081-1 requires that persons requesting an extension of time to file Form 8725 must file the application for the extension with the appropriate district director or the director of the service center. We estimate that four persons per year will ask for extension of time to file. We estimate that this will take an average of 15 minutes per request. The burden for this requirement is 1 hour.

Section 155.6161-1 requires that persons requesting an extension of time to pay the tax shown on Form 8725 or determined as a deficiency shall make the request with the appropriate district director or internal revenue officer. We estimate that four persons per year will ask for an extension of time to pay. We estimate that this will take an average of 15 minutes per request. The burden for this requirement is 1 hour.

The total burden for these two requirements is 2 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 February 2, 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.