

**SUPPORTING STATEMENT
(TD 7959)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

United States shareholders may elect to determine foreign base company shipping income and qualified investments in foreign base company shipping operations of controlled foreign corporations on a consolidated basis (rather than on a corporation-by-corporation basis). Under the regulation as adopted, the election will be effective for all years thereafter until revoked with the approval of the Commissioner of Internal Revenue.

2. USE OF DATA

The computational information attached to each year's return is necessary to demonstrate the amount of the shareholder's taxable subpart F shipping income (if any). The computational information reported on each year's return of the U.S. shareholder would be consolidated on the basis of separate computations relating to each subject controlled foreign corporation.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. IRS publication, 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 on May 19, 1983 (48 FR 22584). At that time the public was given a 60-day period in which to review and provide comments relating to any aspect of the regulations. No public hearing was held. The proposed regulations were submitted to OMB at the time of their publication. The regulations were finalized on May 29, 1984 (49 FR 22279).

In response to the Federal Register Notice dated November 28, 2012 (77 F.R. 71039), we received no comments during the comment period regarding TD 7959.

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**

We estimate that the time required to prepare the election and to convert the computational information normally filed with the return to that required in the event the election described under Treas. Reg. §1.955A-3(d) is 2 hours per taxpayer for 100 taxpayers. This conversion would involve primarily the consolidation of information relating to separate controlled foreign corporations owned by the U.S. shareholder. The request for consent for revocation of the

election under Treas. Reg. §1.955A-3(D)(2) will affect on the average 1 taxpayer per year and will require 4-5 hours per revocation request. The total burden for both requirements is 205 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 November 28, 2012 requested public comments on estimates of cost burden that are not captured in the estimates of burden ours, 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.