

## **SUPPORTING STATEMENT**

### **Revenue Procedure 2000-41**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 601.201(a)(1) of the Statement of Procedural Rules (26 C.F.R. section 601.201(a)(1)) provides that it is the practice of the Internal Revenue Service (“Service”) to answer inquiries of individuals and organizations, whenever appropriate in the interest of sound tax administration, as to their status for tax purposes and as to the tax effects of their acts or transactions.

Generally, a request for a change in the funding method of a defined benefit pension plan is a statutory requirement under section 412(c)(5) of the Internal Revenue Code. However, section 1.412(c)(3)-2(c) of the Income Tax Regulations states that a plan that is required to change its funding method to comply with section 1.412(c)(3)-1 of the regulations is not required to submit the request for change.

This revenue procedure provides guidance for those instances where an automatic change does not apply and reflects administrative experience gained over time. The issuance of a change in funding method letter ruling by the Employee Plans function of the Tax Exempt and Government Entities Division approves that method. Typically, a change in funding method ruling issued to a defined benefit pension plan is accepted by the other government agencies that have been delegated regulatory responsibility over such plans, e.g., the Pension Benefit Guaranty Corporation and the Employee Benefits Security Administration of the Department of Labor.

2. USE OF DATA

The data will be used by the Employee Plans function of the Tax Exempt and Government Entities Division to evaluate and process the request for a change in funding method.

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

The Employee Plans function has set forth certain acceptable automatic changes in the minimum funding methods that do not require Service approval. In addition, this revenue procedure provides for class rulings where a group of plans, in excess of 40, receiving actuarial services from the same insurance company or consulting firm desire an identical change in funding method. Generally, a small business that maintains a defined benefit pension plan that seeks a change in funding method will utilize one of the automatic methods or seek a change as a group. In addition, Appendix A of this revenue procedure contains a checklist to assure that the request for a change in funding method is complete.

### 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 C.F.R. 1320.5(d)(2)

Various sections of Rev. Proc. 2004-4 (OMB No. 1545-1520), the revenue procedure for private letter rulings which is incorporated by reference into this revenue procedure, require information to be submitted before 30 days have expired. These provisions are located throughout portions of 26 C.F.R. 601.201.

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

Revenue Procedure 2000-41 was published in the **Internal Revenue Bulletin** on October 16, 2000, (2000-42 I.R.B. 371).

We received no comments during the comment period in response to the **Federal Register** notice (77 FR 70877), dated November 27, 2012.

### 9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, submissions under this revenue procedure are considered tax returns and tax return information, which are confidential as required by 26 U.S.C. § 6103. In general, certain matters relating to taxability and deductibility are disclosable under 26 U.S.C. § 6110.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

This revenue procedure involves the collection of the following information. Section 4 requires the collection of various types of information in the instance of an individual request for a change in funding method such as (1) the employer identification number, (2) the plan name and number, (3) the name of the plan administrator or sponsor, (4) a draft, if available, of an actuarial valuation for the year of change in funding, including where there is a merger of plans, (5) a copy of Schedule B of the Form 5500 (including attachments) for the plan year prior to the year of the change, (6) various statements from the submitter with respect to the first plan year affected by the change; whether a change in funding method was previously approved; whether there are any other changes being made for the year of the change; and whether a waiver of the minimum funding standards is currently in effect, (7) a description of the current funding method and the proposed funding method, (8) a statement as to why an automatic change in funding method cannot be used, and (9) technical data, e.g., a list of maintained amortization bases, the unfunded liability of the plan, the basic funding formula and the effect on the operation of that method in the year of change, the calculation of the full funding limitation for the plan year of the change (and prior to the change). In addition, Appendix A provides a checklist in the instance of a request. We estimate that 200 taxpayers will make such submissions annually. The annual burden per respondent for recordkeeping/reporting is from 12 to 24 hours, with an average burden of 18 hours, for a total estimated burden of 3,600 hours annually.

Section 5 of the revenue procedure pertains to class rulings, i.e., a request for a change in funding method ruling where more than 40 plans receive actuarial services from the same insurance company or consulting firm or software vendor. The collections of information contained in section 5 include various statements from the submitter with respect to (1) a description of the current funding method and the proposed funding method and (2) why an automatic change in funding method cannot be used as well as technical data, e.g., (a) a list of maintained amortization bases, (b) the unfunded liability of the plan, (c) the basic funding formula and the effect on the operation of that method in the year of change, and (d) the calculation of the full funding limitation for the plan year of the change (and prior to the change) except that in the case of class rulings, the numerical data should be illustrative rather than actual change in funding method that

was previously approved. In addition, the following material is requested in a class ruling request (1) the name and enrollment number of the actuary making the request, (2) the name and address of the insurance company, consulting firm or software vendor making the request, and (3) a statement that the applicant believes that the class ruling will be applied to at least 40 plans as well as an estimate of the number of plans to which the class ruling will be applied. Moreover, Appendix A provides a checklist in the instance of a request for a class ruling. We estimate that 100 taxpayers will make such submissions annually. The annual burden per respondent for recordkeeping/reporting is from 12 to 24 hours, with an average burden of 18 hours, for a total estimated burden of 1,800 hours annually.

The total burden for this submission is a total of 300 respondents and 5,400 hours. Estimates of the annualized cost to respondents for the hour burdens shown above are not available at this time. These various burdens do not necessarily represent a net additional burden to taxpayers, since obtaining a ruling on the change in funding method can save taxpayers time that would otherwise be spent obtaining determination letters on the establishment of new plans.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO TAXPAYERS

As suggested by OMB, our **Federal Register** notice dated November 27, 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 would cause confusion by leading taxpayers to believe that the revenue procedure sunsets as of the expiration date. Taxpayers may not be aware that, if needed, 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 the 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. section 6103.