

## **SUPPORTING STATEMENT (INTL-952-86)**

### **28720.      CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 864(e) of the Internal Revenue Code provides rules concerning the allocation and apportionment of interest and certain other expenses to foreign source income for purposes of computing the foreign tax credit limitation. The attached regulations provide for the affirmative election of either the modified gross income method or the asset method of apportionment in the case of a controlled foreign corporation.

### **28721.      USE OF DATA**

By requiring taxpayers to affirmatively elect either method, the Service will be better informed of taxpayer selections and can perform more effective audits of returns.

### **28722.      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.

### **28723.      EFFORTS TO IDENTIFY DUPLICATION**

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

### **28724.      METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

Because small businesses are by their very nature not big multinationals, foreign tax credits will not figure prominently in their tax compliance efforts. Those who do have foreign income need only indicate their choice of methods in any event.

### **28725.      CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

Not applicable.

**28726. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

Not applicable.

**28727. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

On September 14, 1988, proposed and temporary (INTL-952-86 and TD 8228), amendments to the Income Tax Regulations implementing section 864(e) were published in the **Federal Register**. A public hearing was held on February 21, 1989. On August 2, 1989, additional temporary and proposed regulations were published in the **Federal Register**. On April 15, 1992, final regulations (TD 8410), relating to section 1.861-10(e) relating to certain related controlled foreign corporations indebtedness were published in the **Federal register** (57 FR 13019).

In response to the **Federal Register** notice dated **June 19, 2013 (78 FR 36829)**, we received no comments during the comment period regarding INTL-952-86.

**28728. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

**28729. ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

**28730. JUSTIFICATION OF SENSITIVE QUESTIONS**

Not applicable.

**28731. ESTIMATED BURDEN OF INFORMATION COLLECTION**

Burden Estimation: Section 1.861-10 provides that a taxpayer should clearly identify on its books and records financial products described in section 1.861-10. We estimate that 5,000 taxpayers will be required to keep these records and that the time required to make the required identification on the books and records will be 15 minutes. The total

burden for this recordkeeping requirement is 1,250 hours.

Section 1.861-10 require taxpayers to apportion interest expense based upon asset values, except to the extent otherwise provided. Section 1.861-10 permits a controlled foreign corporation to use either the asset method of §1.861-10 or the modified gross income method of §1.861-10 to apportion interest expense. Under §1.861-10, the election to use the asset method or the modified gross income method may be made either by the controlled foreign corporation or by the controlling United States shareholders on behalf of the controlled foreign corporation. The election shall be made by filing a written statement described in § 1.964-1(c)(3)(ii). Section 1.861-9T(f)(3)(ii) requires that in the case of any controlled foreign corporation that has a controlling U.S. shareholder and other U.S. shareholders, the controlling U.S. shareholder must send to all other U.S. shareholders the notice described in §1.964-1(c)(3)(iii) indicating what method is elected. We estimate that an election will be required on occasion by approximately 10,000 controlled foreign corporations and that the election and the notice will require 12 minutes to prepare. The total burden for this reporting requirement is 2,000 hours.

Section 1.861-10 permits taxpayers to elect, under certain circumstances to reallocate losses caused by the apportionment of interest expense to the separate limitation category for each noncontrolled section 902 corporation. The election shall be made by filing a written statement described in § 1.861-10 at the time and in the manner described therein. We estimate that an election will be required on occasion by approximately 5,000 U.S. shareholders of noncontrolled section 902 corporations and that the election will require 6 minutes to prepare. The total burden for this reporting requirement is 500 hours.

The combined total burden is 3,750 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 **June 19, 2013, (78-FR 36829)** 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.