

SUPPORTING STATEMENT
26 CFR 156.6001-1, -6011-1,
-6081-1, & -6161-1
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. Form 8725 gives IRS the information it needs to verify that the tax has been correctly figured.

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. Form 8725 cannot be filed electronically, since its relatively low volume does not justify the cost electronic enabling.

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

There are no small entities affected by this collection.

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

If the IRS did not collect this information, the taxpayer would not have the means to calculate the correct tax liability. This would also affect the IRS's ability to collect the proper revenue needed to support the Federal government.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE

INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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). Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 8725.

In response to the *Federal Register* notice dated June 18, 2015 (80 FR 34960), we received no comments during the comment period regarding Form 8725 or the related regulations.

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

No payment or gift has been provided to any respondents.

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

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Excise Files Information Retrieval System (ExFIRS)” system. There is no record that a Privacy Act System of Records notice (SORN) has been issued. The Internal Revenue Service PIAs can be found at <http://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

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. The reporting burden for this requirement will be reflected on Form 8725.

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. The reporting burden for this requirement will be reflected on Form 8725.

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 8725			12
			7.62
			92

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 18, 2015, 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

The primary cost to the government consists of the cost of printing Form 8725. We estimate that the cost of printing the form is \$300.

15. REASONS FOR CHANGE IN BURDEN

There is no change to this existing regulation. However, IRS is consolidating data reported under 2 different approval numbers (1545-1086 and 1545-1049), to eliminate the perception of double counting the same tax requirements. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

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

There are no exceptions to the certification statement.

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.