

SUPPORTING STATEMENT  
(TD 8786)  
OMB # 1545-1556

1. **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 863 of the Internal Revenue Code gives the Secretary of the Treasury authority to prescribe regulations relating to the source of income from sales of personal property. The regulation provides rules for allocating and apportioning income from sales of inventory (within the meaning of section 865(i)(1)) produced (in whole or in part) in the United States and sold in a possession of the United States, or produced (in whole or in part) in a possession of the United States and sold in the United States. The regulation also provides rules for allocating and apportioning income from the purchase of inventory in a possession of the United States and its sale in the United States.

2. **USE OF DATA**

The data will be used by the Service to determine whether the taxpayer determined the source of its income consistently with the regulation.

3. **USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

The collection of information does not involve the use of automated, electronic, or other technological collection techniques.

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 IRS would

not be able to determine whether the taxpayer determined the source of its income consistently with the regulation.

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 October 10, 1997 (62 FR 52953). The final regulations were published in the Federal Register on October 14, 1998 (63 FR 55020).

In response to the Federal Register notice dated June 3, 2016 (81 FR 35820), we received no comments during the comment period regarding TD 8786.

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**

No personally identifiable information (PII) is collected.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

The collection of information is in §1.863-3(f)(6), which requires taxpayers to attach a statement to their tax return furnishing certain information regarding the methodology used to determine the source of their income from cross-border sales of inventory, and the amount of income allocated or apportioned to U.S. or foreign sources in these sales. We are estimating 200 taxpayers will be required to

file the information. The estimated burden per respondent will vary from 1 hour to 5 hours, depending on the number of sales by the respondent. We estimate an average burden of 2.5 hours for each respondent for a total burden of 500 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**

There are no start-up costs associated with this collection.

**14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

There are no known annualized costs to the federal government.

**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**

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 regulations sunset 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**

There are no exceptions to the certification statement for this collection.

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.