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SUPPORTING STATEMENT
[PS 262-82] (T.D. 8600)
OMB 1545-0731

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

These final regulations provide guidance relating to the definition of an *S corporation* under section 1361 of the Internal Revenue Code of 1986. The regulations updated existing regulations to reflect changes to the applicable tax law that were made by the Subchapter S Revision Act of 1982, the Tax Reform Act of 1984, the Tax Reform Act of 1986, the Technical and Miscellaneous Revenue Act of 1988, and the Omnibus Budget Reconciliation Act of 1989. In addition to providing guidance on the requirements to be an S corporation, these final regulations outline the procedures and timing to elect to be a qualified subchapter S trust (a “QSST,” which is a permitted S corporation shareholder), to revoke a QSST election, and to make an affirmative refusal to consent to a QSST election (by a successive income beneficiary).

QSST election: This election must be made separately with respect to each corporation whose stock is held by the trust. The current income beneficiary of the trust must make the election by signing and filing with the service center with which the corporation files its income tax return the applicable form (Form 2553), or a statement containing all the information listed in Section 1.1361-1(j)(6).

Revocation of QSST election: An application for consent to revoke the election must be submitted to the Internal Revenue Service in the form of a letter ruling request. The application must be signed by the current income beneficiary and contain all the information listed in Section 1.1361-1(j)(10).

Affirmative refusal to consent: A successive income beneficiary of a QSST must make an affirmative refusal to consent by signing and filing with the service center where the corporation files its income tax return a statement that contains all the information listed in Section 1.1361-1(j)(9).

2. USE OF DATA

Forms or statements required to be filed would be used by IRS to establish the validity of various elections and to verify that taxpayers are complying with the requirements imposed by Congress under subchapter S.

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

Less frequent collection would result in the inappropriate timing to elect to be a qualified subchapter S trust (a "QSST," which is a permitted S corporation shareholder), to revoke a QSST election, and to make an affirmative refusal to consent to a QSST election (by a successive income beneficiary)..

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

We received no comments during the comment period in response to the *Federal Register* notice dated, September 7, 2016 (81 FR 61739).

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 being collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 1.1361-1 describes the elections that may be filed during any given year using Form 2553 or a statement. We estimate that there will be 1,005 filers per year each of whom will file an average of 2 statements. Thus, a total of 2,010 statements will be filed per year. It is estimated that it will take an average of .5 hours to gather the information and complete each statement. Therefore, the total recordkeeping/reporting burden is 1,005 hours.

This estimate was prepared after consultations with persons knowledgeable in subchapter S of the Internal Revenue Code.

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

Burden associated with Form 2553 is reported in 1545-0123.

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 is no annualized cost 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 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

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.