

SUPPORTING STATEMENT

Diversification Requirements for Qualified Defined Contribution Plans
Holding Publicly Traded Employer Securities
Notice 2006-107
OMB# 1545-2049

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 401(a)(35) was added to the Internal Revenue Code by section 901 of the Pension Protection Act of 2006 (PPA'06) and provides that, in order for a defined contribution plan (other than certain employee stock ownership plans) to remain qualified, these plans must provide applicable individuals with the right to divest the employer securities in their accounts and reinvest those amounts in certain diversified investments. In addition, section 507 of PPA'06 requires a plan to provide applicable individuals with a notice describing the new diversification rights under the law (which is effective for plan years beginning after December 31, 2006). The attached notice contains model notices that an employer may use to implement the new statutory provisions of sections 901 and 507 of PPA'06.

The likely respondents are businesses or other for-profit institutions, and small businesses or organizations.

2. USE OF DATA

The data will be used to implement the qualification requirements contained in section 901 of PPA'06.

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 attached notice contains model notices that small businesses and other small entities may use to comply with the statute, and thereby, provides a method of avoiding the expense of seeking outside help.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS

OR POLICY ACTIVITIES

Consequences of less frequent collection on federal programs or policy activities could consist of a decrease in the amount of taxes collected by the Service, inaccurate and untimely filing of tax returns, and an increase in tax violations.

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 THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Notice 2006-107 (2006-51 I.R.B. 1114), was published on December 18, 2006. Public comments were solicited at that time regarding section 401(a) (35) of the Code and any comments on the Notice.

In response to the *Federal Register* notice (81 FR 66122), dated September 26, 2016, we received no comments during the comment period regarding Notice 2006-107.

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 return information are confidential as required by 26 U.S.C 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

There is no PII (Personally Identifiable Information) being collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden in this notice is in Part IV.F. and is patterned after the Department of Labor's findings for clerical time found in proposed regulations on Default Investment Alternatives under a Participant Directed Individual Account Plan at 71 **Fed. Reg.** 56815 (Sept. 27, 2006). The estimated burden per respondent is from 1 minute to 3 hours with the average burden of $\frac{3}{4}$'s of an hour on 10,300 respondents for a total estimated burden of 7,725 hours annually. Respondents are estimated to send out 441 responses (notices)

annually (10,300 respondents x 441 notices = 4,542,300 responses).

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO TAXPAYERS

There is no estimated cost burden to respondents.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no estimated 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 would cause confusion by leading taxpayers to believe that the notice sunsets as of the expiration date. Taxpayers may not 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 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. §6103.