

SUPPORTING STATEMENT

Treatment of Acquisition of Certain Financial Institutions; Certain Tax Consequences of Federal Financial Assistance to Financial Institutions (OMB # 1545-1300)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

26 USC Section 597 of the Internal Revenue Code provides that the income tax treatment of any transaction in which Federal financial assistance (FFA), is provided with respect to a bank or domestic building and loan association (Institution) will be determined under regulations prescribed by the Secretary. The regulations provide that, generally, FFA is included in the gross income of the recipient in the year it is received. However, in certain circumstances, the inclusion of FFA in income is deferred. The collection of information required by the regulations is necessary to track deferred income and its subsequent recapture, to track any amounts of tax that are not subject to collection, to elect to disaffiliate earlier than would otherwise be permitted, and to elect to apply the provisions of the regulations retroactively.

2. USE OF DATA

For purposes of tracking deferred income, an Institution that defers the inclusion of FFA in income is required to maintain a deferred FFA account.

For purposes of reporting amounts of uncollected tax, an Institution must specify on the front page of Form 1120 U.S. Corporate Income Tax Return, to the left of the space provided for "Total Tax," the amount of income tax for the taxable year that is not subject to collection pursuant to section 1.597-6(c).

A consolidated group that elects not to include a subsidiary Institution in its affiliated group pursuant to § 1.597-4(g) must provide that affected subsidiary with a statement of its intent by certified mail and the consolidated group must include a copy of the statement and the certified mail receipt with its income tax return.

An Institution or consolidated group that elects to apply the provisions of the regulations retroactively must attach to its first annual return filed after the issuance of final regulations under section 597 the information required under section 1.597-7(c)(3).

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**

There are no small entities affected by this collection.

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

The collection of information required by the regulations is necessary to track deferred income and its subsequent recapture, to track any amounts of tax that are not subject to collection, to elect to disaffiliate earlier than would otherwise be permitted, and to elect to apply the provisions of the regulations retroactively.

Failure to collect the information will prevent taxpayers from properly complying and/or reporting with the requirements outlined in section 597 of the Code.

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**

The Notice of Proposed Rulemaking was published in the **Federal Register** on April 23, 1992 (57 FR 14804). The notice afforded the public a 60-day period in which to review and provide public comments relating to any aspect of the proposed regulations. A public hearing was held on July 17, 1992, with respect to the Notice of Proposed Rulemaking. The final regulation was published in the **Federal Register** on December 21, 1995 (60 FR 66091).

In response to the **Federal Register** notice dated **September 28, 2016, (81 FR 66750)**, we received no comments during the comment period regarding TD 8641.

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 “Business Master File, BMF” system and a Privacy Act System of Records notice (SORN) has been issued for this system under:

Treas/IRS 24.046 BMF

Treas/IRS 34.047 Audit trail and security records system

The Internal Revenue Service PIA’s 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 1.597-2(c)(4) requires an Institution to establish a deferred FFA account commencing in the first taxable year in which FFA is excluded from the Institution’s income pursuant to § 1.597-2(c)(2) or (3), and to maintain that account in accordance with the requirements of that section. It is estimated that 200 respondents will spend 5 hours each to maintain this account. The recordkeeping burden for this requirement is 1,000 hours.

Section 1.597-4(g) requires a consolidated group electing to disaffiliate a subsidiary Institution to provide the affected subsidiary with a statement of its intent, along with other relevant information, by certified mail and the consolidated group must include a copy of the statement and the certified mail receipt with its income tax return. It is estimated that 200 respondents will spend 4 hours each to prepare and furnish the information. The reporting burden for this requirement is 800 hours.

Section 1.597-6(c) requires an Institution to report on Form 1120 (U.S. Corporate Income Tax Return) the amount of income tax for the taxable year that is not subject to collection pursuant to § 1.597-6(c). It is estimated that 200 respondents will spend 1 hour each to prepare and furnish the information. The reporting burden for this requirement is 200 hours.

Section 1.597-7(c) requires an Institution or consolidated group that elects to apply the provisions of the regulations retroactively to attach to its first annual return filed after the issuance of final regulations under section 597 the information required under § 1.597-7(c) (3). It is estimated that 200 respondents will spend 1 hour each to prepare and furnish the information. The reporting burden for this requirement is 200 hours.

The combined annual effect of these regulations will result in a total estimated annual burden of 2,200 hours by a total of 800 estimated annual responses.

Please continue to assign OMB number 1545-1300 to these regulations.

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13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register Notice** dated **September 28, 2016**, 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

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. However, we are making this submission to update the filing estimates previously unaccounted for under section 1.597. The correction of this information will result in an additional 300 responses per year for this approval number.

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.