

**SUPPORTING STATEMENT**  
Stripping Transactions for Qualified Tax Credit Bonds  
OMB # 1545-2167

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 15316(a) of the Food, Conservation, and Energy Act of 2008 (the Act) added Code section 54A providing for tax credits to holders of tax credit bonds (bondholders). The Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 expanded the authority to issue qualified tax credit bonds by adding new types of bonds and increasing the volume cap for existing qualified tax credit bonds. Tax credit bonds under section 54A are bonds issued by states and local governments (and certain other eligible issuers) the proceeds of which are used to finance specified purposes such as education, energy conservation, and production of renewable energy. In lieu of paying interest, tax credit bonds provide tax credits (credit coupons) that bondholders can use against their federal income tax liability. Section 54A(i) provides that, under regulations (or other guidance) provided by Treasury, there may be a separation of ownership (stripping) of the credit coupons from the tax credit bond.

Tax credits are direct claims against the Federal government. When a tax credit bond is not stripped, the claim can be tracked to the taxpayer receiving the principal payment on the bond, but with great difficulty. When a tax credit bond is stripped, the credit coupon is transferred to a party other than the bondholder. This significantly increases the difficulty of verifying that the taxpayer claiming a credit with respect to a stripped credit coupon is entitled to claim the credit.

Notice 2010-28 describes regulations that the Treasury Department and the Internal Revenue Service (IRS) expect to issue concerning both stripping transactions for qualified tax credit bonds under section 54A of the Internal Revenue Code and certain income tax accounting matters associated with holding and stripping these bonds. Pending the promulgation and effective date of future administrative or regulatory guidance, this notice provides interim guidance on which taxpayers may rely. In addition, this notice describes anticipated related information reporting requirements and solicits public comments on the interim guidance and the information reporting requirements.

**2. USE OF DATA**

The collection of information in this notice informs the bondholders and the IRS whether a particular issue of tax credit bonds may be stripped and assigns unique identifiers to each credit coupon. This allows the IRS to track the credits by the unique identifier and ensures that only taxpayers holding stripped credit coupons with unique identifiers take the appropriate amount of tax credits under section 54A.

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

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

**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**

Failure to collect the information will prevent IRS from properly tracking the credits by the unique identifier and ensuring that only taxpayers holding stripped credit coupons with unique identifiers take the appropriate amount of tax credits under section 54A.

**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**

Notice 2010-28 was published in the Internal Revenue Bulletin (2010-15 I.R.B. 541), on April 12, 2010, to describe regulations that the Treasury Department and the Internal Revenue Service (IRS) expect to issue concerning both stripping transactions for qualified tax credit bonds under section 54A of the Internal Revenue Code and certain income tax accounting matters associated with holding and stripping these bonds.

In the notice, the Treasury Department and the IRS solicited comments on the expected regulations that were described in Section 3 of the notice, other aspects of stripping transactions under section 1286, and the various anticipated information reporting requirements that are described in Section 4 of this notice. Currently, IRS has not issued final regulation relating to these topics and requesting that taxpayers continue to follow the guidance outlined in this document, until further notice.

In response to the Federal Register notice (81 FR 72854), dated October 21, 2016, we received no comments during the comment period regarding these proposed and temporary 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**

No personally identifiable information (PII) is collected.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The collection of information in this notice is in Section 3.03(c). The information is required in order to inform the IRS and holders of qualified tax credit bonds whether the credit coupons relating to those bonds may be stripped. The collections of information are required for the issuer to enjoy the benefit of having these bonds treated as part of a strippable issue.

The Notice requests issuers of qualified tax credit bonds to report the designation of the bonds as strippable on an existing IRS Form 8038 (1545-0720), or another form designated for such purpose by the IRS and to attach debt service schedules if issuers elect to receive direct payments of the refundable credit from the Federal government.

We estimate the total number of respondents to be 1,000. We estimate it will take 1 hour to comply. The total annual estimated burden is 1,000 hours.

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our Federal Register notice dated October 21, 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, IRS did not receive any responses from taxpayers on this subject. As a result, IRS estimates that there is no annual cost burden to the 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 were no changes made to the document that resulted in any change to the burden previously reported to 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 notice provisions 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.

**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.