

SUPPORTING STATEMENT

Safe Harbor for Inadvertent Normalization Violations

RP-108564-16

OMB Control Number 1545-XXXX

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

This Revenue Procedure provides a safe harbor for inadvertent normalization violations to allow a taxpayer to change its Inconsistent Practice or Procedure (as defined in section 4.05 of this revenue procedure) to a Consistent Practice or Procedure (as defined in section 4.04 of this revenue procedure) at the Next Available Opportunity (as defined in section 4.06 of this revenue procedure) if the Taxpayer's Regulator (as defined in section 4.01 of this revenue procedure) adopts or approves the change that thoroughly reflects the total effect of the Inconsistent Practice or Procedure, provided:

- a) the taxpayer retains contemporaneous documentation that clearly demonstrates the effects of the Inconsistent Practice or Procedure and the change to a Consistent Practice or Procedure adopted or approved by the Taxpayer's Regulator; and
- b) in any tax year ending after the taxpayer has identified an Inconsistent Practice or Procedure, but in which the taxpayer has not changed to a Consistent Practice or Procedure, the taxpayer shall reflect the Inconsistent Practice or Procedure on the taxpayer's Form 1120 (Schedule UTP) and represent its intention to change to a Consistent Practice or Procedure at the Next Available Opportunity.

2. USE OF DATA

The contemporaneous documentation and statement on the taxpayer's Form 1120 (Schedule UTP) will be used to verify that the taxpayer has changed to a Consistent Practice or Procedure adopted or approved by the Taxpayer's Regulator as required by the Normalization Rules.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Affected taxpayers will reflect the Inconsistent Practice or Procedure and represent its intention to change to a Consistent Practice or Procedure at the Next Available Opportunity on the taxpayer's Form 1120 (Schedule UTP), which is filed electronically.

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 only affected taxpayers are utilities. No small business entities are affected by this collection of information.

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

If this information is not collected, the Service cannot determine whether a taxpayer has violated the Normalization Rules. A violation of the Normalization Rules results in the denial of accelerated depreciation or the investment tax credit. Recapture of these credits would be required. The Service needs to be notified of a recapture event.

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

Revenue Procedure 108564-16 was published in the Internal Revenue Bulletin (2017-X I.R.B. XXX), on XX XX, 2017.

We did not consult with individuals outside the agency on the availability of data, frequency of collection, clarity of instructions and forms, and data elements. Such consultation is not required in this case.

We will publish a notice in the *Federal Register* during the next OMB renewal cycle to solicit public comments on burden for this revenue procedure.

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 U.S.C. § 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

The contemporaneous documentation and reflection of this information on the taxpayer's Form 1120 (Schedule UTP) does not contain sensitive information. This information is required to be publicly disclosed in regulatory proceedings with the Federal Energy Regulatory Agency.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in this proposed regulation is in §§ 50(d)(2) and 168(i) (9). The information collected under this revenue procedure will be used to verify that the taxpayer has changed to a Consistent Practice or Procedure adopted or approved by the Taxpayer's Regulator as required by the Normalization Rules. The collection of information is voluntary as taxpayers that do not use the safe harbor provided in this revenue procedure may instead request a letter ruling or technical advice memorandum that a taxpayer's proposed practice or procedure is consistent or inconsistent with the Normalization Rules. The likely recordkeepers are regulated utilities. Estimated number of recordkeepers is 150. The estimated annual burden per recordkeeper depends on individual circumstances, with an estimated average of 12 hours. Estimated total annual recordkeeping burden is 1,800 hours.

Reporting burden is being reported under the OMB control number 1545-0123 for Form 1120 (Schedule UTP).

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The information required to be collected and reported to the Service is already made available to the Federal Energy Regulatory Agency. As a result, the cost should be de minimis.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no annualized cost to the federal government.

15. REASON FOR CHANGE IN BURDEN

There is no change in the paperwork burden as this is a new information collection request for a new revenue procedure.

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 revenue procedure becomes invalid 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.