

SUPPORTING STATEMENT  
Internal Revenue Service  
Unified Rule for Loss on Subsidiary Stock  
REG-157711-02 (TD 9424 - final)  
OMB Control Number 1545-2096

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Treasury Decision 9624 contains final regulations under sections 358, 362(e)(2), and 1502 of the Internal Revenue Code (Code). The regulations apply to corporations filing consolidated returns, and corporations that enter into certain tax-free reorganizations. The regulations provide rules for determining the tax consequences of a member's transfer (including by deconsolidation and worthlessness) of loss shares of subsidiary stock and provide that section 362(e)(2) generally does not apply to transactions between members of a consolidated group. Finally, the regulations conform or clarify various provisions of the consolidated return regulations, including those relating to adjustments to subsidiary stock basis.

The collection of information is in § 1.1502-36(e)(5). The collection of information is necessary to allow a corporation to re-determine basis under the basis redetermination rule when it sells all the stock of a subsidiary, to modify the application of the attribute reduction rule, to apply the Unified Loss Rule retroactively to certain intercompany transfers, and to reattribute a section 382 limitation.

The irrevocable elections are made in the form of a statement titled " Section 1.1502-36 Statement." The statement must be included on or with the group's timely filed return (original or amended, if filed by the due date for the return, including extensions) for the taxable year of the transfer of the subsidiary stock to which the election relates or, in the case of an intercompany transfer, the year in which the intercompany item from the transfer is taken into account.

2. USE OF DATA

The Internal Revenue Service (IRS) uses this information to ensure compliance with the regulation which allows a corporation to re-determine basis under the basis redetermination rule when it sells all the stock of a subsidiary, to modify the application of the attribute reduction rule, to apply the Unified Loss Rule retroactively to certain intercompany transfers, and to reattribute a section 382 limitation.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing is available by including the statement on or with the electronic return.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaption from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESS OR OTHER SMALL ENTITIES

We have attempted to minimize the burden on small businesses or other small entities

wherever possible. However, the regulations will not have a significant economic impact on a substantial number of small businesses/entities. The regulations affect affiliated groups of corporations that have elected to file consolidated returns, which tend to be larger businesses. Moreover, the number of taxpayers affected is minimal.

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

The information required is needed to verify compliance with Section 1.1502-36(e)(5) of the Internal Revenue Code. Less frequent collection of taxes and tax information, could adversely affect the governments effectiveness and would reduce the oversight of the public in ensuring compliance with Internal Revenue Service Code not allowing the IRS to meet its mission.

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 (82 FR 15102), dated March 24, 2017.

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 burden estimate for §1.1502-36 is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
Treasury Reg. § 1.1502-36	election	100	1	100	.25	25
Totals						

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENT

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

#### 14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

#### 15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB.

#### 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 not appropriate because it could cause confusion by leading taxpayers to believe that the regulations 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.