

SUPPORTING STATEMENT

Internal Revenue Service

(TD 8853) Recharacterizing Financing Arrangements Involving Fast-Pay Stock
OMB #1545-1642

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 7701(l) of the Internal Revenue Code authorizes the Secretary to prescribe regulations recharacterizing any multiple-party financing transaction to prevent the avoidance any tax imposed by the Internal Revenue Code.

Section 1.7701(l)-3 of the Income Tax Regulations recharacterizes fast-pay arrangements. In general, a fast-pay arrangement is any arrangement in which a corporation has outstanding fast-pay stock and non-fast-pay stock. Fast-pay stock is stock structured so that dividends paid with respect to the stock are economically (in whole or in part) a return of the holder's investment (as opposed to only a return on the holder's investment). The recharacterization is necessary to prevent the avoidance of tax.

The regulations require certain participants in fast-pay arrangements to file a statement with their returns. The statement must identify the corporation that issued the fast-pay stock, and (to the extent the filing taxpayer knows or has reason to know) the terms of the fast-pay stock, the date on which it was issued, and the names and taxpayer identification numbers of any shareholders of any class of stock (of the issuing corporation) not traded on an established securities market.

USE OF DATA

The certification and recordkeeping requirements that sections 1.7701(l)-3 place on the participants of fast pay stock are used by the IRS to verify that the fast pay stock requirements are in accordance with the Internal Revenue Code. The Internal Revenue Service will use the data to identify fast-pay arrangements, to ensure compliance with the required recharacterization, and to determine whether the amount of tax has been computed correctly.

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998. We intend to offer electronic filing to the extent it is practicable however in this case it isn't practicable because of the evaluative nature of the determination.

EFFORTS TO IDENTIFY DUPLICATION

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

. METHOD TO MINIMIZE BURDEN ON SMALL BUSINESS OR OTHER SMALL ENTITIES

There is no flexibility to reduce burden on small businesses or other small entities because the statutes apply to small businesses and small entities.

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

The regulations are necessary to prevent taxpayers from using fast-pay stock to achieve inappropriate tax avoidance. The regulations affect corporations that issue fast-pay stock, holders of fast-pay stock, and other shareholders that may claim tax benefits purported to result from arrangements involving fast-pay stock

. 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).

. 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 dated April 24, 2017 (82 FR 18970).

. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. § 6103.

. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 1.7701(l)-3 recharacterizes certain fast-pay arrangements and requires certain participants to file annual statements with their returns. We estimate that a total of 50 taxpayers will be required to file such statement. We estimate an average annual burden per respondent of 1 hour. The total burden for this requirement is 50 hours.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
1.7701(l)-3	Fast pay Stock TD 8853	50	1	50	1	50
Totals				50		50

Estimate of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated November 22, 2013, 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 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 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 IRS 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 and 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.