

SUPPORTING STATEMENT

Internal Revenue Service
Split-Dollar Life Insurance
Arrangements
OMB # 1545-1792

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Rev. Rul. 64-328, 1964-2 C.B. 11, and Rev. Rul. 66-110, 1966-1 C.B. 12, addressed the Federal income tax treatment of split-dollar arrangements under which an employer and employee join in the purchase of a life insurance contract on the life of the employee subject to a contractual allocation of policy benefits between the employer and employee.

Notice 2001-10 (2001-5 IRB 459), clarified prior rulings issued by the IRS regarding the taxation of split-dollar arrangements, provides taxpayers with interim guidance on the tax treatment of split-dollar arrangements pending publication of further guidance.

Notice 2002-8 (2002-4 IRB 398), published January 28, 2002,

- Revokes Notice 2001-10;
- Announced that the Treasury and the Service would publish proposed regulations providing comprehensive guidance regarding the Federal tax treatment of split-dollar life insurance arrangements;
- Outlined rules expected to be included in the forthcoming proposed regulations and the expected effective date of those regulations; and
- Provided guidance regarding the valuation of current life insurance protection under a split-dollar life insurance arrangement, under qualified retirement plans and under employee annuity contracts.

TD 9092 (68 FR 54336), published September 17, 2003, contained the final regulations relating to the income, employment, and gift taxation of split dollar life insurance arrangements. The final regulations provide needed guidance to persons who enter split-dollar life insurance arrangements.

2. USE OF DATA

The Internal Revenue Service will use the data collected from the parties to split-dollar life insurance arrangements to ensure consistent reporting between the employers and employees of these arrangements.

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. IRS has determined that the relatively low volume does not justify the cost of electronic enabling.

4. EFFORTS TO IDENTIFY DUPLICATION

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

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 Internal Revenue Service will use the data collected ensure consistent reporting between the employers and employees of these arrangements as required under section 1.7872-15.

Failure to collect and review the information outlined in the regulations will complicate the taxpayer's ability to receive the proper tax credit and the IRS's ability to verify its' accuracy.

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 July 9, 2002 (67 FR 45414). A public hearing on the regulations was requested or held on October 23, 2002. On May 9, 2003, a notice of proposed rulemaking was published in the Federal Register (68 FR 24898) proposing rules for the valuation of economic benefits under an equity split-dollar life insurance arrangement governed by the economic benefit regime. A public hearing on the 2003 proposed regulations was held on July 29, 2003. The final regulations were published in the Federal Register on September 17, 2003 (68 FR 54336).

In response to the *Federal Register* notice dated October 20, 2017 (82 FR 48898), we received no comments during the comment period regarding this collection effort.

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

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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 IRS 24.046-Customer Account Data Engine Business Master File. The Internal Revenue Service PIAs 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.

This is an attachment to the Federal tax return created by the respondent. The Privacy Act statement associated with this attachment is listed in the Federal tax return instructions.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Under section 1.7872-15(d) of the proposed regulations, if a split-dollar loan is nonrecourse to the borrower, then any stated interest payable on the loan is treated as contingent, which generally would result in imputed transfers of income to the borrower. However, for this type of loan, the parties to the loan may make a written representation that a reasonable

person would expect that all payments under the loan will be made. If this representation is made, the stated interest on the loan will not be treated as contingent. If the representation is made, each party must retain an original of the representation as part of its books and records and attach a copy to its Federal income tax return for any taxable year in which the lender makes a loan to which the representation applies.

We estimate that the total burden for this requirement is 25,000 hours, based on 100,000 respondents and .25 hour per representation.

Under section 1.7872-15(j)(3)(ii) of the proposed regulations, if a split-dollar loan provides for contingent payments, the lender must produce a projected payment schedule for the loan and give the borrower and any indirect participant a copy of the schedule. This schedule is used by the parties to compute their interest accruals and any imputed transfers for tax purposes.

We estimate that the total burden for this requirement is 7,500 hours, based on 15,000 respondents and .5 hour per schedule.

OMB Collectio n	Authority	Form	Annual Responses	Hours per Response	Total Burden
1545-1792	1.7872-15(d)	---	100,000	.25	25,000
	1.7872-15(j) (3)(ii)	---	15,000	.50	7,500
	IRS TOTAL		115,000		32,500

Please continue to assign OMB number 1545-1792 to these regulations.

1.7872-15

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

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 THE FEDERAL GOVERNMENT

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for the Form is \$12,124.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to the burden previously approved.

This submission is being made for renewal purposes.

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

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form and / or 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 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 if 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.