

**SUPPORTING STATEMENT**  
**Internal Revenue Service**  
**Qualified Separate Lines of Business**  
**EE-147-87**  
**Number 1545-1221**

**26792. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 414(r) of the Code requires that employers who wish to test their qualified retirement plans for purposes of sections 410(b), 401(a)(4) and 401(a)(26) of the Code on a separate line of business basis, rather than on a controlled group basis, provide notice to the Service that the employer is treating itself as operating qualified separate lines of business for such purposes. Additionally, where an employer does not meet certain administrative scrutiny safe harbors, the employer may nonetheless request a determination from the Service that such separate lines of business satisfy administrative scrutiny. Section 1.414(r)-4 of the regulations elaborates on the notice requirement, and section 1.414(r)-6 elaborates on the determination process. Both sections reflect the statutory requirements and Congressional intent, as well as provide guidance to taxpayers.

**26793. USE OF DATA**

The notice requirement and determination process considered in the regulations are provided for in the statute. Employers who provide qualified retirement plans to their employees and who choose to be treated as operating qualified separate lines of business under section 414(r) of the Code for purposes of applying section 410(b), 401(a)(4) and 401(a)(26) of the Code are affected by section 414(r). The Internal Revenue Service uses this data to determine whether an employer is treated as operating qualified separate lines of business under section 414(r).

**26794. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998. The agency has no plans at this time to offer electronic filing because of the low volume compared to the cost of electronic enabling.

**26795. EFFORTS TO IDENTIFY DUPLICATION**

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

**26796. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

There is no burden on small businesses or other small entities due to the inapplicability of the authorizing statute to this type of entity.

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

The information required is needed to verify compliance with Treasury Regulations. A less frequent collection of taxes and tax information could adversely affect the government's effectiveness and would reduce the oversight of the public in ensuring compliance with Internal Revenue Code and hinder the IRS from meeting 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**

In response to the Federal Register notice dated March 30, 2018 (83 FR 13811), we received no comments during the comment period regarding these 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 [sensitive](#) personally identifiable information (PII) is collected.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

The following estimated hours per respondent pertain only to the collections of information subject to OMB review , i.e., the notice requirement (section 1.414(r)-4), and the determination process (section 1.414(r)-6). The total annual estimated burden is 444 hours.

Section 1.414(r)-3(b)(3) requires that, with regard to a separate line of business, the employer must maintain books and records that provide separate revenue and expense information that is used for internal planning and control with respect to each profit center comprising the line of business. Employers that operate separate lines of business are already maintaining separate books and records, and the regulations look to that fact as evidence of separate line of business

status. The separate books and records requirement therefore isn't really a new paperwork burden imposed by the regulations. Therefore, there is no additional burden for this recordkeeping requirement.

<a href="#">Authority</a>	Description	Total Annual Responses	Hours Per Response	Total Burden
section 1.414(r)-4 section 1.414(r)-6	Notice and determination	125	3 hours, 33 minutes	444
Total		125		444

**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**

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.

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	125	0	0	0	0	125

Annual Time Burden (Hr)	444	0	0	0	0	444
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**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 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.