

SUPPORTING STATEMENT

Internal Revenue Service

Effective Dates and Other Issues Arising Under the Employee Benefit Provisions of the Tax Reform Act of 1984

OMB # **1545-0916**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 505(c) of the Internal Revenue Code provides that an organization will not be recognized as exempt under section 501(c)(9) as a voluntary employees' beneficiary association, under section 501(c)(17) as a trust forming part of a plan for the payment of supplemental unemployment compensation benefits, or under section 501(c)(20) as a trust forming part of a qualified group legal services plan unless notification is given to the Internal Revenue Service. The temporary regulations provide that the notice is filed by submitting a properly completed and executed Form 1024, "Application for Recognition of Exemption Under Section 501(a)" together with specified additional information. The temporary regulations further provide that an organization or trust that has previously notified the Internal Revenue Service of its claim to exemption under sections 501(c)(9), (17) or (20) or its claim to exempt status under those sections pursuant to another provision of the Internal Revenue Code, is not required under section 505(c) to submit a revocation.

Section 1042(a) of the Internal Revenue Code provides that a taxpayer may elect not to recognize gain on the sale of certain "qualified securities" to an employee stock ownership plan (ESOP) or worker owned cooperative, where "qualified replacement property" is purchased within a specified period. Section 1042(b)(4) requires that a written statement (described in section 1042(b)(4)(B)) be filed along with such an election. The temporary regulations at section 1.1042 IT (Q&A 3) require that a taxpayer elect section 1042(a) treatment by attaching a statement to his income tax return. Section 1.1042--IT (Q&A 2(d) requires the taxpayer to file a written statement of the employer whose employees are covered by the ESOP, consenting to the application of section 4978(a).

TD 8073 provides temporary regulations relating to effective dates and certain other issues arising under sections 91, 223, and 511-561 of the Tax Reform Act of 1984. These temporary regulations were generally presented in the form of questions and answers (Q&A's). Taxpayers may rely on them for guidance pending the issuance of final regulations.

2. USE OF DATA

Form 1024 (1545-0057), is used by most types of organizations to apply for recognition under section 501(a) and by all applicants for a determination of plan qualification under section 120. The documents addressed in these regulations (Q&A's), are generally attached to Form 1024 and the associated burden.

The information collected will be used to enforce the provisions of sections 505(c), and 1042.

3. 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 1999. There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

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 is minimal to no burden on small businesses or entities by this collection 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 will be used to administer and process any claims for recognition under section 501(a) and by all applicants for a determination of plan qualification under section 120.

The consequences of less frequent collection are that the tax laws will not be followed as prescribed. Tax compliance is a vital part of the government's ability to meet its' mission and serve the public.

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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding the temporary regulations.

In response to the Federal Register notice dated March 30, 2018, (83 FR 13812), we

received one (1) comment in support of this approval number and the agency's request to extend the OMB approval.

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 being collected through the Q&A's. Any collection of PII is addressed under the Form 1024 approval number 1545-0057.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The documents addressed in these regulations (Q&A's), are generally attached to Form 1024 and the associated burden.

Section 1.505(c)-IT (Q&A-2) of the temporary regulations requires a trust created pursuant to section 501(c)(20) and forming a part of a qualified group legal service plan under section 120 to file a copy of its trust instrument with the Internal Revenue Service. We estimate that approximately 600 trust instruments will be filed, and that it will take approximately .5 hour to complete this requirement.

The total burden for this citation is 300 hours.

Section 1.505(c)-IT (Q&A-3) of the temporary regulation requires an organization or trust, which is seeking recognition under section 501(c)(9) or (c)(17), to notify the Internal Revenue Service that it is applying for recognition of exemption. The notice is filed by submitting a properly completed and executed Form 1024, "Application for Recognition of Exemption Under section 501(a)". This requirement requires the filing of Form 1024. The burden for this requirement is already reflected in the burden estimate for Form 1024.

Section 1.505(c)-IT (Q&A-4) of the temporary regulations requires an organization or trust seeking recognition of exemption under section 501(c)(9) or (17) to submit with the Form 1024 documents which contain the terms and conditions of eligibility for membership and the terms and conditions of eligibility for benefits. We estimate that approximately 600 of these documents will be filed and that it will take approximately 1.0 hour to complete this requirement.

The total burden for this citation is 600 hours.

Section 1.505(c)-IT (Q&A-5) of the temporary regulations requires an organization or trust claiming exemption under section 501(c)(9) or (17), which is organized pursuant to a collective bargaining agreement to submit with the Form 1024 a copy of the collective bargaining agreement. We estimate that approximately 600 of these documents will be filed and that it will take approximately .5 hour to complete this requirement.

Form 1024 is cleared under OMB control number: 1545-0057.

The total burden for this citation is 300 hours.

Section 1.1042-IT (Q&A-3) of the temporary regulations requires a taxpayer to make the election in a statement which is attached to the taxpayer's income tax return. We estimate that approximately 5,000 taxpayers may make this election and that it will take approximately .5 hour to complete the statement.

The total burden for this citation is 2,500 hours.

Section 1.1042-IT (Q&A-2(d)) requires that the taxpayer file with his income tax return a verified written statement of the employer whose employees are covered by the ESOP, consenting to the application of section 4978(a). We estimate that approximately 1,000 employers who maintain ESOPs may be required to execute such a written statement and that it will take approximately .25 hour to complete the statement.

The total burden for this citation is 250 hours.

Section 1.1042-1T (Q&A-5) provides that the statute of limitations relating to the gain realized by a taxpayer who has failed to comply with section 1.1042-1T (Q&A's 3 and 2(d)) shall not begin to run until the taxpayer files a written notice of the taxpayer's intention not to purchase qualified replacement property within the replacement period or a written notice of the taxpayer's failure to make such purchase within the replacement period. We estimate that approximately 200 taxpayers may file such a written notice and that it will take approximately .25 hour to complete the notice.

The total burden for this citation is 50 hours.

OMB Collectio n	Authority	Form	Annual Responses	Hours per Response	Total Burden
1545-0916	1.505(c)-1T	Q&A-2	600	0.5	300
	1.505(c)-1T	Q&A-3	-	-	-
	1.505(c)-1T	Q&A-4	600	1.0	600
	1.505(c)-1T	Q&A-5	600	0.5	300
	1.1042-1T	Q&A-3	5,000	0.5	2,500
	1.1042-1T	Q&A-2(d)	1,000	.25	250
	1.1042-1T	Q&A-5	200	.25	50
	IRS TOTAL		8,000		4,000

Please continue to assign OMB number 1545-0916 to these regulations.

1.463-1T 1.505(c)-1T 1.1042-1T

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 Q&A's is minimal.

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 regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of 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.