

**Internal Revenue Service
SUPPORTING STATEMENT
OMB Number 1545-1800
Form 8886
Reportable Transaction Disclosure Statement**

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 8886

Regulations section 1.6011-4 provides that certain taxpayers must disclose their direct or indirect participation in reportable transactions when they file their Federal income tax return.

Pre-CAP and CAP Application Form (Form 14234):

The Compliance Assurance Process (CAP) is a strictly voluntary program available to Large Business and International Division (LB&I) taxpayers that meet the selection criteria. CAP is a real-time review of completed business transactions during the CAP year with the goal of providing certainty of the tax return within 90 days of the filing. Taxpayers in CAP are required to be cooperative and transparent and report all material issues and items related to completed business transactions to the review team.

USE OF DATA

Certain taxpayers use Form 8886 to disclose reportable transactions in which they directly or indirectly participated.

Information on the Pre-CAP and CAP Application Form will be used by the LB&I industry executives to determine which taxpayers meet the selection criteria and should be accepted into the voluntary program for the year.

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing on Form 8886.

EFFORTS TO IDENTIFY DUPLICATION

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

METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There is 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

Less frequent collection of data required to be disclosed on Form 8886 would inhibit timely and effective discovery of information by IRS necessary for tax enforcement.

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

This OMB approval request is being submitted as an emergency request to ensure the forms are ready and available by the beginning of the CAP application period on October 1, 2018. Therefore, a Federal Register notice was not published.

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

In accordance with the Privacy Act of 1974, Treasury has published its complete Privacy Act systems of records notices, which include all maintained records systems as of January 2, 2014; six systems have been amended, altered, or added since April 20, 2010, when the complete notices were last published. See 79 F.R. 209-261 and 79 F.R. 183-206, which was published on January 2, 2014.

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Office of Tax Shelter Analysis Application (OTSA)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under Treasury/IRS 42.021-- Compliance Programs and Project Files, Treasury/IRS 42.001-- Examination Administrative Files, Treasury/IRS 42.008-- Audit Information Management System, and Treasury/IRS 34.037-- IRS Audit Trail and Security Records System. The Department of Treasury 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.

12.

ESTIMATED
BURDEN OF
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The burden estimate for Form 8886 is as follows:

Form	Number of Responses	Hours per Response	Total Hours
Form 8886	42,409	21.54	913,490
Pre-CAP/CAP	169	12.67	2,141
Totals	42,578	34.21	915,631

Estimates 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

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

The Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

Product	Aggregate Cost per Product (factor applied)		Printing and Distribution		Government Cost Estimate per Product
Form 8886	11,917	+	0	=	11,917
Form 8886 Instructions	3,476	+	0	=	3,476
Grand Total	15,393				15,393
Table costs are based on 2016 actuals obtained from IRS Chief Financial Office and Media and Publications					
* New product costs will be included in the next collection update.					

15. REASONS FOR CHANGE IN BURDEN

The burden for this submission has been changed. For the 2019 application period beginning on October 1, 2018, in addition to the Application Form (Form 14234, Pre-CAP and CAP Application Form), taxpayers in the Compliance Assurance Program, will be required to submit the following attachments:

- 1) Worldwide Tax Organization Chart
- 2) Preliminary Issue List
- 3) Research Credit Questionnaire
- 4) Material Inter-Company Transaction Template (MITT)

The proposed changes are designed to improve operation of the program, make the best use of limited government resources and to ensure the sustainability of the program. The purpose in requiring this information with the application form is to allow an earlier and more effective risk assessment and examination planning process. It is also a critical aspect in allocating resources to issues with the highest compliance risk. As a result, there is an increase in burden. The number of filers increased from 112 to 169 and the per response time increased from 1 hour and 51 minutes to 12 hours and 40 minutes. As a result the burden increased by 1, 933 hours annually for a total of 2,141 Annual burden hours.

Form	Increased Number of Responses	Hours per Response	Increased Annual Burden Hours
Pre-CAP/CAP	169	12.67	2,141

	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 for this IC	169	0	57	0	0	112
Annual IC Time Burden (Hours)	2141	0	1933	0	0	208

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 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.