

**SUPPORTING STATEMENT**  
**Internal Revenue Service (IRS)**  
**Changes in Corporate Control and Capital Structure**  
**Form 1099-CAP**  
**OMB Control Number 1545-1814**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

— Regulations section 1.6043-4T requires large companies to report corporate inversion transactions that subject shareholders to taxes. The regulations require information reporting under section 6043(c) on Form 1099 CAP by a corporation if it is acquired, re capitalized, or undergoes another type of substantial change in capital structure. The regulations mandate the reporting. Transactions involving the acquisition of control within an affiliated group or involving stock valued less than \$100 million will not be covered. The regulations are effective for acquisitions of control and substantial changes of capital structure taking place after December 31, 2001.

**2. USE OF DATA**

Taxpayers (shareholders) will use the information to determine any taxable gain incurred from cash received and the fair market value of stock or other property received. The gain, if any, is reported on the taxpayers' income tax return. The data will also be used by the IRS for compliance purposes.

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

We are currently offering electronic filing on Form 1099-CAP.

**4. EFFORTS TO IDENTIFY DUPLICATION**

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

**5. 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 since it is applicable to large companies that report corporate inversion transactions under IRC 6043(c).

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

The information required is needed to verify compliance with section 6043(c) of Internal Revenue Code of the Treasury Regulations. Without this information, the IRS wouldn't be able to verify that taxable gain incurred from cash received and the fair market value of stock or other property received, is properly reported on the taxpayers' income tax return. 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 February 19, 2019 (84 FR 3548), 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 U.S.C. 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)” and a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 22.062 – Electronic Filing Records; IRS 24.030 – Customer Account Data Engine (CADE) Individual Master File; IRS 24.046 - CADE Business Master File (BMF);IRS 34.037 - IRS Audit Trail and Security Records System. The Internal Revenue Service PIA's can be found at

<https://www.federalregister.gov/documents/2018/08/24/2018-18268/privacy-act-of-1974>

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.

Internal Revenue Code 6043 and its regulations requires taxpayers to file an information return with the IRS and furnish a statement to recipients. The agency asks for the information on the form to carry out the Internal Revenue laws of the United States. Taxpayers are required to give the agency the information and is needed to figure and collect the right amount of tax. The Privacy Information Statement can be found in the General Instructions.

**12. ESTIMATED BURDEN OF INFORMATION COLLECTION**

The agency estimates that 600 respondents (large companies) will file the form annually to report corporate inversion transactions that subject shareholders to taxes. Estimates are based on its

most recent filing data. It is estimated that it will take 11 minutes to complete the collection of information for a total of 108 annual burden hours.

Form	Description	# Respondents	# Responses Per Respondent-Approximate	Total Annual Responses	Hours Per Response	Total Burden
1099-CAP	Changes in Corporate Control and Capital Structure	600	1	600	11 minutes	108
TOTAL		600		600		108

#### **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 1099-CAP	\$ 78,545	0	\$ 78,545
Table costs are based on 2018 actuals obtained from IRS Chief Financial Office and Media and Publications			

#### **15. REASONS FOR CHANGE IN BURDEN**

There are no changes being made to the burden associated with the collection tool at this time. However, the agency is updating the estimated number of responses based on the most recent filing data.

	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	600	0	0	250	0	350
Annual IC Time Burden (Hours)	108	0	0	41	0	67

**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 regulations 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.