

SUPPORTING STATEMENT
Internal Revenue Service
Conduit Arrangements Regulations
(TD 8611)
OMB Control Number 1545-1440

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Pursuant to the authority of section 7701(1) of the Internal Revenue Code (“the Code”), §1.881-3 of the regulations provides rules that permit the district director to recharacterize, for purposes of section 881 of the Code, a financing arrangement among three or more persons as a financing arrangement that does not involve one or more of those persons because that person is a conduit entity.

2. USE OF DATA

Section §1.881-4 of the regulations provides rules for the maintenance of records concerning certain financing arrangements to which the provisions of §1.881-3 of the regulations apply. The rules require records to be maintained by a financed entity concerning financing arrangements to which the objective standards for recharacterization in §1.881-3(a)(4) of the regulations are satisfied.

The data will be used by the Internal Revenue Service and taxpayers to verify that the proper amount of tax is reported and withheld.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Because there are no reporting requirements associated with TD 8611, electronic filing is not possible. IRS publication, regulations, notices and letters are to be electronically enabled on an as practicable basis in accordance with IRS Reform and Restructuring Act of 1998.

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 because pursuant to the authority of section 7701(1) of the Internal Revenue Code, §1.881-3 of the regulations provides rules that permit the district director to recharacterize, for purposes of section 881 of the Code, a financing

arrangement among three or more persons as a financing arrangement that does not involve one or more of those persons because that person is a conduit entity. The code is applicable to the recharacterization of financing arrangements between persons due to one being a conduit entity.

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

Less frequent collection would disallow IRS to ability to verify the rules required by section §1.881-4, that records were maintained by a financed entity concerning financing arrangements to which the objective standards for recharacterization in §1.881-3(a)(4) of the regulations are satisfied. This would affect both the taxpayer and the government in insuring proper tax compliance.

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 April 15, 2019, (84 F.R. 15292), we received no comments during the comment period regarding (TD 8611).

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

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 PIA's 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 INFORMATION COLLECTION

Section 1.881-4(b) of the final regulations provides that each party to a financing arrangement who is subject to the general recordkeeping requirements of section 6001 must keep the permanent books of account or records, as required by section 6001, that may be relevant to determining whether that person is a party to a financing arrangement and whether that financing arrangement is a conduit financing arrangement as defined by §1.881-3 of the final regulations.

In addition, if applicable, each party to the financing arrangement must comply with the recordkeeping requirements of §1.6038A-3 with respect to records that are relevant to the determination under §1.881-3 of the regulations.

We estimate that 1,000 taxpayers will be subject to this requirement and that it will take 10 hours to prepare the necessary documentation. The total recordkeeping burden is estimated at 10,000 hours.

The estimated recordkeeping burden estimates are:

Authorities (IRC)	Document	# Respondents	# Responses Per Respondent	Annual Responses	Time Per Response	Total Burden
1.6038A-3 1.881-4	TD 8611	1000	1	1000	10hrs.	10,000 hrs.
Totals		1000	1	1000	10hrs.	10,000 hrs.

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. We are making this submission to renew the OMB approval.

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

We believe 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.