

**SUPPORTING STATEMENT**  
**Internal Revenue Service**  
**(TD 6629) Limitation on reduction in income tax liability incurred to the Virgin Islands**  
**OMB# 1545-0782**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

IRC Section 934(a) (1954 Code) provides that the tax liability incurred to the Virgin Islands shall not be reduced except to the extent provided in IRC section 934(b) or (c). IRC Section 934 (1954 Code) was enacted to prevent the Virgin Islands from granting tax rebates or subsidies with regard to taxes attributable to income derived from sources within the U.S. The exceptions as defined in IRC section 934(b) and (c) of the 1954 Code permit rebates or subsidies if they are as follows:

- (1) Made to a U.S. corporation or Virgin Island corporation to the extent those corporations derived income from sources outside of the U.S. 80% or more of the corporation's income for the 3-year period immediately preceding the close of the taxable year must have been derived from sources within the Virgin Islands and 65% of the corporation's income for the period must have been derived from the active conduct of a trade or business within the Virgin Islands, and
- (2) Made to U.S. citizens who are bonafide residents of the Virgin Islands for the entire taxable year, to the extent that income is derived from sources within the Virgin Islands.

Regulation section 1.934-1 (1962) contains rules for computing the tax liability incurred to the Virgin Islands attributable to income derived from sources without the U.S. The subsidy payments will not be permitted unless supporting information showing that the recipient qualifies under one of the above exceptions is furnished to the Secretary or his delegate. The information which must be disclosed is listed in sections 1.934-1(d), (e), and (f). The information statement should be made in duplicate and attached to the income tax return filed with the Government of the Virgin Islands for the taxable year with respect to which an exception is claimed.

**2. USE OF DATA**

The taxpayers applying for benefits under section 934 of the 1954 Code must supply the requested information in order to obtain the benefits. As required by section 934(d) of the 1954 Code, the information is used to ensure that the taxpayer qualifies for the benefit under section 934 (1954 Code). Further, this information is submitted to the government of the Virgin Islands and must be available for examination by the Assistant Commissioner (International).

**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 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**

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

Consequences of less frequent collection on federal programs or policy activities could result in a decrease in the amount of taxes collected by the service, inaccurate and untimely filing of tax returns, and an increase in tax violations.

**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 July 30, 2019 (84 FR 37009), we received no comments during the comment period regarding TD 6629.

**9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

No payment or gift will be 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 “Individual Master File (IMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030-CADE Individual Master File and IRS 34.037 IRS Audit Trail and Security Records System. The Internal Revenue Service 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 INFORMATION COLLECTION**

Under sections 1.934-1(d), (e), and (f), an information statement should be completed in duplicate and attached to the income tax return filed with the Virgin Islands Bureau of Internal Revenue for the taxable year in which an exception is claimed. We anticipate that there will be approximately 500 responses in compliance with section 934(d) and Treas. Regs. 1.934-1(d) through (g).

The 500 responses to the reporting requirements under Treas. Regs. 1.934(d), (e), and (f) should take .20 hours (12 minutes) per respondent for a total burden of 100 hours.

The recordkeeping requirement of Treas. Regs. 1.934-1(g) will affect approximately 500 respondents and should take .17 hours (10 minutes) per respondent for a total burden of 85 hours.

The totals for this collection are: 500 responses and 185 hours.

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

Authority	Description	# of Respondents	#Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §1.934-1(d), (e) and (f)	TD 6629	500	1	500	.37	185
<i>Totals</i>		500				185

**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. IRS is 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**

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that this revenue procedure 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.