

**SUPPORTING STATEMENT**  
**Internal Revenue Service**  
**REG-105495-19 - Foreign Tax Credit: Notification of Foreign Tax Redeterminations**  
**OMB # 1545-1056**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 905(c) of the Internal Revenue Code requires a taxpayer to notify the IRS of a foreign tax redetermination (FTR), which is a change in the taxpayer's foreign tax liability that may affect the taxpayer's foreign tax credit. New temporary regulations at section 1.905-4T provide rules concerning the time, manner, and contents of such notification.

Where the FTR does not necessitate a redetermination of U.S. tax liability, and only an adjustment to a foreign corporation's pools of earnings and profits and foreign taxes is required, the regulations require the taxpayer to attach a written statement to the original tax return for the year in which the FTR occurred.

Where a redetermination of U.S. tax liability is required by reason of an FTR, the regulations generally require the taxpayer to file an amended return and Form 1116 Foreign Tax Credit (Individual, Estate, or Trust) (covered under OMB Control number 1545-0074 individual, or 1545-0121 estate and trust) or Form 1118 Foreign Tax Credit-Corporations (OMB Control Number 1545-0123), along with a written statement providing specific information relating to the FTR. Since the burden for filing the 1116 and 1118 forms are covered under the OMB Control Numbers listed above, this Information Collection Request (OMB Control Number 1545-1056) only covers burden for the written statement.

2. USE OF DATA

The Internal Revenue Service will use the information to be collected under the provisions of section 905(c) for audit purposes to determine whether taxpayers have correctly redetermined their U.S. tax liability and foreign tax credit after an FTR.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The IRS has no plans to offer electronic filing as it isn't practicable because of the evaluative nature of the written statement. Additionally, new temporary regulations at section 1.905-4T provide rules concerning the time, manner, and contents of such notification. The new temporary regulations provide an exception to the general notification rule that allows Large Business and International (LBI) taxpayers to notify the IRS of an FTR that occurs prior to an audit, and requires LBI taxpayers to notify the IRS of an FTR that occurs during the first 180 days of the audit, by providing the written statement to the examiner in lieu of filing an amended return.

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. The new temporary regulations provide an exception to the general notification rule that allows Large Business and International (LBI) taxpayers to notify the IRS of an FTR that occurs prior to an audit, and requires LBI taxpayers to notify the IRS of an FTR that occurs during the first 180 days of the audit, by providing the written statement to the examiner in lieu of filing an amended return.

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

If the Internal Revenue Service (IRS) did not collect this information, the IRS would not be able to use the information to be collected under the provisions of section 905(c) for audit purposes to determine whether taxpayers have correctly redetermined their U.S. tax liability and foreign tax credit after an FTR. A less frequent collection will not enable the IRS to verify the tax treatment in accordance could result in being unable to meet 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 3, 2021 (86 F.R. 8080), we received a comment from Alliance for Competitive Taxation (“ACT”) during the comment period regarding REG-209020-86.

The commenter concerns are as follows:

<b>Comment/Concern</b>	<b>Rec'd</b>	<b>From</b>	<b>IRS Response</b>
1. The election under §1.905-5(e) should apply to all foreign tax redeterminations relating to pre-2018 tax years that occur in post-2017 tax years, including those that occur in 2018 and 2019.	4/5/21	ACT	The Treasury Department and the IRS considered this issue and determined that the administrative complexity and compliance burdens of retroactive elections would outweigh the benefits of additional flexibility.
2. Taxpayers should have additional time to make the election under §1.905-5(e) beyond the current standard (see §1.905-5(e)(2) for standard).	4/5/21	ACT	The Treasury Department and the IRS considered this issue and determined that the administrative complexity and compliance burdens of retroactive elections would outweigh the benefits of additional flexibility.
3. Taxpayers should be able to have a one-time revocation of the election under §1.905-5(e).	4/5/21	ACT	The Treasury Department and the IRS considered this issue and determined that the administrative complexity and compliance burdens of retroactive

			election changes would outweigh the benefits of additional flexibility.
4. Taxpayers should have the option to file a single amended return with respect to a taxable year in the fifth (or any reasonable period) following such taxable year to report all redeterminations occurring in the five year (or some other time frame) period that ends with that taxable year.	4/5/21	ACT	The Treasury Department and the IRS considered this issue and determined that deferring the required reporting would not substantially reduce compliance burdens and would be more difficult for the IRS to administer. See Section V.E.1. of the Preamble to TD 9922, 85 F.R. 71998.
5. The regulations should allow for a de minimis exception to the amended return requirement.	4/5/21	ACT	The Treasury Department and the IRS considered this issue and determined that section 905(c) mandates retroactive adjustments to U.S. tax liability when foreign taxes claimed as credits are redetermined. See Section V.E.1. of the Preamble to TD 9922.
6. Taxpayers should be allowed to elect the GILTI HTE beyond the 24 month period described in §1.951A-2(c)(7) if a foreign tax redetermination causes a tested unit's tested income to qualify for the HTE.	4/5/21	ACT	The Treasury Department and the IRS are considering this issue in connection with proposed regulations under section 954(b)(4) issued on July 23, 2020. See 85 F.R. 44650.

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 Department of Treasury PIAs can be found at <http://www.treasury.gov/privacy/PIAs/Pages/default.aspx>.

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 905(c) requires a taxpayer must notify the IRS of a change in the taxpayer’s foreign income tax liability that may impact the foreign tax credit. The total burden for these requirements is estimated to be 54,000 hours.

The burden estimate is as follows:

Authority	Description	Number of Respondents	Number of Responses per Respondent	Annual Responses	Hours per Response	Total Burden
905(c)	Foreign Tax Redetermination	13,000	1	13,000	4.153	54,000
Totals	Foreign Tax Redetermination	13,000	1	13,000	4.153	54,000

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1056 to these regulations 1.905-4T, 1.905.5.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no capital/start-up or ongoing operation/maintenance cost associated with this information collection.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no estimated annual cost to the federal government.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the paperwork burden previously approved by OMB. This submission is being submitted 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

The agency 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 for this collection.

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.