

SUPPORTING STATEMENT  
Internal Revenue Service (IRS)  
Regulations on Income and Currency Gain or Loss with Respect to a Qualified Business Unit  
REG-132422-17 NPRM  
OMB Control Number 1545-NEW

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 987 of the Internal Revenue code ("Code") (26 U.S.C. §987) provides rules on translating the income or loss of section 987 qualified business units ("QBUs") and adjustments made for transfers of property between a QBU and its owner. The collections of information in the proposed regulations with respect to 26 U.S.C. §987 are in proposed 26 C.F.R. §§1.987-1(g), 1.987-9, and 1.987-10(k). The IRS intends to publish a new form for the collection of information and record keeping requirements. The form and its schedules will not be ready in time for the publication of the REG-132422-17 NPRM.

The IRS intends that the information described in proposed §1.987-1(g) will be conducted by attaching a statement to a taxpayer's return (such as the appropriate Form 1040, Form 1120, Form 1065, or other appropriate form). With respect to proposed §1.987-10(k), the IRS also intends that the collection of information will be conducted by attaching a "Section 987 Transition Information" statement to a return. The attachment to a return used for making elections with respect to these proposed regulations will be used by those taxpayers making or revoking an election for the taxable year. The "Section 987 Transition Information" statement attached to a return will be used by all taxpayers, but generally only with respect to the taxable year in which the taxpayer transitions to these proposed regulations.

The collection of information provided by proposed § 1.987-1(g) is required only when a taxpayer makes or revokes certain elections for purposes of calculating its section 987 taxable income or loss and section 987 gain or loss with respect to a section 987 QBU. In the first year to which the section 987 regulations apply to the taxpayer, or the taxpayer or a member of its consolidated group or section 987 electing group is the owner of a section 987 QBU, the taxpayer may make any section 987 election. Thereafter, the taxpayer may make or revoke a current rate election or annual recognition election only every five years and may make or revoke other elections only with the consent of the Commissioner, which may be granted with a private letter ruling. When a taxpayer makes or revokes an election, the collection of information is mandatory. The collection of information required by proposed §1.987-1(g) will be used by the IRS for tax compliance purposes.

The recordkeeping requirements under proposed §1.987-9 are considered general tax records under §1.6001-1(e). These records are required for the IRS to validate that section 987 gain or loss and section 987 taxable income or loss have been properly determined. The IRS intends that the information collection requirements pursuant to proposed §1.987-9 will be satisfied by the taxpayer maintaining permanent books and records that are adequate to verify its section 987 gain or loss and section 987 taxable income or loss with respect to its section 987 QBU. Proposed §1.987-9 is intended to specify how a taxpayer satisfies its recordkeeping obligations under section 6001 with respect to section 987.

The collection of information in proposed §1.987-10(k) is mandatory. Specifically, proposed §1.987-10(k) would require a taxpayer to file a “Section 987 Transition Information” statement with its return for the taxable year beginning on the transition date (as defined in proposed §1.987-10(c)). The statement would contain information that is necessary for a taxpayer to transition to the proposed section 987 regulations. Specifically, the statement requires a taxpayer to provide information that is relevant to determining the taxpayer’s pretransition gain or loss with respect to its section 987 QBUs. The collection of information required by proposed §1.987-10(k) will be used by the IRS for tax compliance purposes.

## 2. USE OF DATA

The collection of information will be used by the IRS for tax compliance purposes. The data will be used to permit verification by the Commissioner of the IRS to verify the amount of the section 987 taxable income and deduction and section 987 gain or loss recognized by the owner of section 987 QBU under the Code, and the amount of section 987 gain or loss which would be deferred or suspended pursuant to the Treasury regulations.

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

The IRS has no plans to offer electronic filing as the information collected in proposed §1.987-1(g) and proposed §1.987-10(k) are narrative statements sent to IRS. The IRS has no plans to offer electronic filing for the recordkeeping requirements under proposed §1.987-9 as it is a recordkeeping requirement only.

## 4. EFFORTS TO IDENTIFY DUPLICATION

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

## 5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

This information collection will not have a significant economic impact on small businesses or other small entities. Generally, the proposed regulations affect U.S. corporations that have foreign operations. The number of small businesses or other small entities potentially affected by the proposed regulations is unknown; however, it is unlikely to be a substantial number because taxpayers with foreign operations are typically larger businesses. Further, section 987 applies only to taxpayers that operate QBUs with functional currencies that are different from their tax owner. It is unlikely for small businesses or other small entities to operate two or more businesses using different currencies. The proposed regulations are expected to affect taxpayers that are large multinational businesses.

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

A less frequent collection will not allow the IRS to verify whether the section 987 gains and losses are being computed properly and in accordance with section 987 of the Code and will hinder the IRS from meeting its mission.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 C.F.R. §1320.5(d)(2).

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 C.F.R. §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

Proposed regulations (REG-132422-17), once published will request for public comments and recommendations on the information collections. Any comments received on the information collections will be addressed within the Final Rule submission.

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

There is no Personally Identifiable Information (PII) collected. Therefore, this collection is not impacted by the Privacy Act and does not require a Privacy Impact Assessment (PIA) or System of Records Notice (SORN).

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collections of information required by this proposed regulation are in §§1.987-1(g), 1.987-9, and 1.987-10(k), as detailed in question 1 of the supporting statement.

The likely respondents are individuals, businesses, and trust and estates. Based on information from the IRS Research, Applied Analytics, and Statistics (RAAS) division, IRS anticipates that the total number of respondents could be 500 and anticipates that less than 1% of the total respondents would be trust or estate filers. The estimated number of respondents is based on the number of taxpayers who filed a Form 8858 in 2021 that showed that the filer: (1) owned at least one disregarded entity or branch with a functional currency different from the functional currency of the tax owner, and (2) indicated that the disregarded entity was a section 989 QBU.

The burden for individuals is approved under 1545-0074 and for businesses is approved under 1545-0123. The estimated burden for the trust and estate filers is 5 respondents with a total annual burden of 29.25 hours.

Applicable Regulations	Number of Respondents	# Responses per Respondent	Hours per Response	Total Annual Burden
1.987-1(g)	5	1	1.95	9.75
§1.987-9	5	1	1.95	9.75
§1.987-10(k)	5	1	1.95	9.75
<b>Totals</b>		<b>3</b>	<b>5.85</b>	<b>29.25</b>

### 13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

IRS estimates that taxpayers will use an accountant to assist with completing the collection requirements. At an estimated cost of \$60.41<sup>1</sup> per hour for reporting and recordkeeping, the estimated out-of-pocket costs to trust and estate respondents could be \$1,766.99 (\$60.41x29.25=\$1,766.99).

### 14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There are no estimated annualized costs to the federal government as the collection only imposes a recordkeeping burden on the taxpayer. IRS will be able to provide cost estimates for the reporting requirement with the development of the forms.

### 15. REASONS FOR CHANGE IN BURDEN

This is a new collection.

### 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

<sup>1</sup> The above Hourly Wage Rate is the [May 2022 Bureau of Labor Statistics](https://www.bls.gov/news.release/ecec.nr0.htm) mean wage for “Accountants and Auditors (Major Group (13-2011))” of \$41.70 times the wage rate benefit multiplier of 1.4488 (to account for fringe benefits) equaling \$60.41. The benefits multiplier is estimated by dividing total compensation of \$43.26 by salaries and wages of \$29.86, based on Employer Cost for Employee Compensation, June 2023 data, released September 12, 2023 (<https://www.bls.gov/news.release/ecec.nr0.htm>).

IRS 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 IRS 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 ON OMB PRA SUBMISSION FORM

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.