

**SUPPORTING STATEMENT  
(INTL-64-93)**

**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**

We have no plans to offer electronic filing. 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**

We have attempted to eliminate duplication within the agency wherever possible.

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

Not applicable.

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

Not applicable.

**7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

Not applicable.

**8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

A notice of proposed rulemaking was published in the Federal Register on October 14, 1994 (59 FR 52110). A public hearing was held on December 16, 1994. The final regulation was published in the Federal Register on August 11, 1995 (60 FR 40997).

In response to the Federal Register Notice dated August 30, 2006 (71 F.R. 51674) we received no comments during the comment period regarding (INTL-64-93).

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

Not applicable.

**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**

Not applicable.

## **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.

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

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

As suggested by OMB, our **Federal Register Notice** dated August 30, 2006 requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

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

Not applicable.

**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**

Not applicable.

**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 ON OMB FORM 83-I**

Not applicable.

**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.