

SUPPORTING STATEMENT
Revenue Procedure 2000-42

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1503(d) provides that a dual consolidated loss of a dual resident corporation cannot be used to reduce the taxable income of any other member of the corporation's affiliated group for any taxable year. A taxpayer may elect to use a dual consolidated loss of a dual resident corporation by entering into an agreement under section 7121 and Reg. §1.1503-2(g)(2)(i) in which the taxpayer certifies that the dual consolidated loss has not been, and will not be, used to offset the income of another person under the laws of a foreign country. Certain subsequent events, known as "triggering events," require the taxpayer to recapture the losses as income, including an interest charge. A taxpayer may in certain situations obtain a closing agreement with the Internal Revenue Service under §1.1503-2(g)(2)(iv)(B) to prevent an event described as a triggering event from being treated as a triggering event requiring recapture of losses and an interest charge. This revenue procedure explains the procedure for taxpayers to obtain a closing agreement under §1.1503-2(g)(2)(iv)(B).

The IRS and the Department of the Treasury are issuing this revenue procedure to provide taxpayers with guidance on the information and representations they should include in a section 1503(d) closing agreement request. Before this revenue procedure, the IRS and the Treasury had not specified in detail how taxpayers should request these closing agreements.

2. USE OF DATA

The final section 1503(d) regulations provide two exceptions to events described as triggering events, making the events not triggering events requiring recapture of losses and an interest charge. The first exception, under §1.1503-2(g)(2)(iv)(A), applies when a dual resident corporation, or its assets, is acquired by another member of the dual resident corporation's consolidated group. The second exception, under §1.1503-2(g)(2)(iv)(B), applies when a dual resident

corporation or a domestic owner of a separate unit becomes disaffiliated from its consolidated group, or when an unaffiliated domestic corporation or new consolidated group acquires the dual resident corporation or its assets, provided the taxpayer enters into a closing agreement. This revenue procedure outlines the procedure for the exception under §1.1503-2(g)(2)(iv)(B). The information that taxpayers submit under this revenue procedure will enable the IRS to determine whether to execute a closing agreement under sections 1503(d) and 7121.

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 the 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**

Revenue Procedure 2000-42 was published in the **Internal Revenue Bulletin** on October 23, 2000 (2000-43 IRB 394).

In response to the Federal Register Notice September 28, 2006 F.R. 57025), we received no comments during the comment period regarding Rev. Proc. 2000-42.

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**

The collection of information is contained in sections 4 and 5 of this revenue procedure. This information will enable the IRS to determine whether to execute a closing agreement under sections 1503(d) and 7121. The estimated annual burden to prepare a submission to request a section 1503(d) closing agreement is 100 hours, and the estimated number of respondents that will request a section 1503(d) closing agreement is 20. Therefore, the estimated average annual burden is 2,000 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 September 28, 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 revenue procedure 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 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.