

SUPPORTING STATEMENT

CO-11-91 and CO-24-85

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1.1502-13(e)(3) allows the common parent of a consolidated group to request consent to take items from intercompany transactions into account on a separate entity basis. The consent requirement is a carryover provision from current section 1.1502-13 (OMB #1545-0123), and thus imposes no additional burden.

Section 1.1502-13(f)(5)(ii) provides common parents with an election to avoid potential duplications of gain from certain intercompany distributions and other transactions with respect to stock of members.

Section 1.1502-13(f)(6)(i)(C) provides for an election to reduce basis in parent stock.

Section 1.1502-13(j) requires intercompany transactions and corresponding items to be reflected on permanent records. The records are used to assure that the amount, location, timing, and attributes of intercompany and corresponding items are properly determined. This requirement currently exists under section 1.1502-13(c) (OMB #1545-0123) and is not changed. Therefore, no additional burden is imposed.

USE OF DATA

The information will be used to assure that the amount, location, timing, and attributes of intercompany and corresponding items are properly maintained.

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

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.

EFFORTS TO IDENTIFY DUPLICATION

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

. **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**

CO-24-95

A notice of proposed rulemaking was published in the **Federal Register** on July 12, 1995. A public hearing was held on December 11, 1995. The final regulations were published in the **Federal Register** on March 14, 1996 (61 FR 10447).

CO-11-91

A notice of proposed rulemaking was published in the **Federal Register** on April 15, 1994 (59 FR 18011). Public hearings were held on May 4, 1994 and August 8, 1994. The final regulations were published in the **Federal Register** on July 18, 1995 (60 FR 36671).

In response to the **Federal Register** notice dated **February 14, 2007 (72 FR 7130)**, we received no comments during the comment period regarding CO-24-95 and CO-11-91.

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**

We estimate the following burdens.

1. **Time and manner of making election.** Section 1.1502-13(e)(3) requires the common parent to request consent to treat certain intercompany transactions on a separate entity basis. The request for consent must be made in the form of a ruling request and must be filed on or before the due date of the consolidated return (not including extensions). The election under section 1.1502-13(e)(3) is carried from current regulation section 1.1502-13 (OMB 1545-0123) and the requirements to make that election will not change. Thus, no additional burden is imposed.

2. **Time and manner of making election.** Section 1.1502-13(f)(5)(ii) provides common parents with an election to avoid potential duplications of gain from certain intercompany distributions and other transactions with respect to stock of members. These elections are designed to provide taxpayers relief from the application of certain provisions of the regulations. These elections must be made by the due date for the consolidated returns (including extensions). The section 1.1502-13(f)(5)(ii) election is made by attaching a statement to the consolidated return. It is estimated that approximately 2,000 respondents will make one response each, which is estimated to take .50 hours, for a total estimated reporting burden of 1,000 hours.

3. **Time and manner of making election.** Section 1.1502-13(f)(6)(i)(C) provides for an election to reduce basis in parent stock. The election must be made in a separate

statement filed with the consolidated group's tax return. The estimated number of respondents is 200; the estimated burden per respondent is 15 minutes, for a total estimated burden of 50 hours.

4. Recordkeeping requirement. Section 1.1502-13(j) requires intercompany transactions and corresponding items to be reflected on permanent records. The records are used to assure that the amount, location, timing, and attributes of intercompany and corresponding items are properly determined. This requirement currently exists under section 1.1502-13(c) (OMB #1545-0123) and is not changed. Therefore, no additional burden is imposed.

The total burden for the above requirements is 1,050 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 **February 14, 2007 (72 FR 7130)**, 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.