

**SUPPORTING STATEMENT
(REG-148867-03)**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Pursuant to regulations, Internal Revenue Code section 6103(n) authorizes the disclosure of returns and return information to any person to the extent necessary in connection with the processing, storage, transmission, and reproduction of such returns and return information, the programming, maintenance, repair, testing, and procurement of equipment, and the providing of other services, for purposes of tax administration. Internal Revenue Code section 7213 makes it unlawful for any person described in section 6103(n) or any officer or employee of any such person willfully to disclose to any person any return or return information except as authorized by the Internal Revenue Code. Similarly, Internal Revenue Code section 7213A makes it unlawful for any person described in section 6103(n) or any officer or employee of any such person willfully to inspect any return or return information except as authorized by the Internal Revenue Code.

Treasury Regulation section 301.6103(n)-1 sets forth the conditions under which disclosures of returns and return information to any person (Contractor), or to an officer or employee of such Contractor, may be made to the extent necessary in connection with contractual procurement of (1) equipment or other property, or (2) services relating to the processing, storage, transmission, or reproduction of such returns or return information, the programming, maintenance, repair, or testing of equipment or other property, for purposes of tax administration. Under paragraph (c) of section 301.6103(n)-1, each officer or employee of any Contractor to whom returns or return information is or may be disclosed as authorized by section 301.6103(n)-1 must be notified of the prohibitions against unauthorized disclosure of return and return information, the prohibitions against unauthorized inspection of returns and return information, and the potential penalties for such acts as imposed by Internal Revenue Code sections 7213 and 7213A respectively.

The requirement that Contractors notify employees and

officers of the prohibitions against unauthorized use and disclosure of tax information and potential penalties is imposed in order to promote compliance by officers and employees with the restrictions of sections 6103, 7213 and 7213A, and to protect the privacy of American taxpayers.

2. **USE OF DATA**

The Service will make no use of the information required, pursuant to Treasury Regulation section 301.6103(n)-1(c), to be disclosed to employees and officers of contractors.

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

Contractors may use automated, electronic, or other technological means to provide the required written notification to employees and officers of contractors pursuant to Treasury Regulation section 301.6103(n)-1(c). Treasury Regulation section 301.6103(n)-1(c) does not limit the means through which the required written notification is provided.

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**

The required notification to employees and officers of contractors pursuant to Treasury Regulation section 301.6103(n)-1(c) does not have a significant impact on substantial number of small businesses or other small entities.

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 January 12, 2005 (70 FR 2076). Requests of written or electronic comments for a public hearing were asked to be received by April 12, 2005. The scheduled hearing was cancelled, due to no responses. The final regulations were published in the **Federal Register** on June 5, 2007 (72 FR 30974).

In response to the **Federal Register Notice** dated **October 15, 2010 (75 FR 63543)**, we received no comments during the comment period regarding REG-148867-03.

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

Not applicable.

10. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Responses consist solely of the requirements and penalties imposed by the United States Code and the Code of Federal Regulations, which are publicly available.

11. **JUSTIFICATION OF SENSITIVE QUESTIONS**

Not applicable.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

The IRS estimates that the annual number of persons required to provide the required notification to employees and officers of contractors pursuant to Treasury Regulation section 301.6103(n)-1(c) will be 2,500; the burden per respondent will average 6 minutes; and that the total annual reporting burden will be 250 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 October 15, 2010 (**75 FR 63543**), 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 regulations sunset 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.