

SUPPORTING STATEMENT
(EE-147-87)

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 414(r) of the Code requires that employers who wish to test their qualified retirement plans for purposes of sections 410(b), 401(a)(4) and 401(a)(26) of the Code on a separate line of business basis, rather than on a controlled group basis, provide notice to the Service that the employer is treating itself as operating qualified separate lines of business for such purposes. Additionally, where an employer does not meet certain administrative scrutiny safe harbors, the employer may nonetheless request a determination from the Service that such separate lines of business satisfy administrative scrutiny. Section 1.414(r)-4 of the regulations elaborates on the notice requirement, and section 1.414(r)-6 elaborates on the determination process. Both sections reflect the statutory requirements and Congressional intent, as well as provide guidance to taxpayers.

USE OF DATA

The notice requirement and determination process considered in the regulations are provided for in the statute. Employers who provide qualified retirement plans to their employees and who choose to be treated as operating qualified separate lines of business under section 414(r) of the Code for purposes of applying section 410(b), 401(a)(4) and 401(a)(26) of the Code are affected by section 414(r).

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, 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

The Internal Revenue Service published a Notice of Proposed Rulemaking on February 1, 1991. The final regulations were adopted on December 4, 1991.

We received no comments during the comment period in response to the **Federal Register** notice dated September 8, 2011 (76 FR 55741).

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

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not Applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The following estimated hours per respondent pertain only to the collections of information subject to OMB review , i.e., the notice requirement (section 1.414(r)-4), the determination process (section 1.414(r)-6)), and recordkeeping requirements (section 1.414(r)-3(b)(3)). **The total annual estimated burden is 444 hours.**

Section 1.414(r)-3(b)(3) requires that, with regard to a separate line of business, the employer must maintain books and records that provide separate revenue and expense information that is used for internal planning and control with respect to each profit center comprising the line of business. Employers that operate separate lines of business are already maintaining separate books and records, and the regulations look to that fact as evidence of separate line of business status. The separate books and records requirement therefore isn't really a new paperwork burden imposed by the regulations. Therefore, there is no additional burden for this recordkeeping requirement.

Estimates of the annualized cost to respondents for the burden hours 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 8, 2011, 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

The annual burden previously approved by OMB changed due to change in agency estimates. The annual number of responses decreased by 125 and the annual number of burden hours decreased by 455. We are also 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.