

SUPPORTING STATEMENT
OMB# 1545-1774
(TD 9187, TD 9154, and TD 9057)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

This document contains final regulations under sections 337(d) and 1502 of the Internal Revenue Code (Code). These regulations disallow certain losses recognized on sales of subsidiary stock by members of a consolidated group. These regulations apply to corporations filing consolidated returns, both during and after the period of affiliation, and also affect purchasers of the stock of members of a consolidated group.

2. USE OF DATA

The information with respect to §1.337(d)-2(c)(1) and (3) is necessary to ensure that loss is not disallowed under §1.337(d)-2(a) and basis is not reduced under §1.337(d)-2(b) to the extent the taxpayer establishes that the loss or basis is not attributable to the recognition of built-in gain on the disposition of an asset.

The information with respect to §1.1502-32(b)(4)(vii)(C) is necessary to allow the taxpayer to amend an election that would benefit the taxpayer, i.e., to amend its waiver under §1.1502-32(b)(4), so that it may use its acquired subsidiary's losses.

3. USED OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. 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.

4. EFFORTS TO IDENTIFY DUPLICATION

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

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESS 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

Temporary regulations were published in the *Federal Register* on October 4, 2004, at 69 FR 52419 as TD 9154. Final and temporary regulations were published March 28, 2005, at 70 FR 10319, as TD 9187.

In response to the *Federal Register* notice dated November 5, 2013 (78 FR 66423), we received no comments during the comment period regarding these regulations.

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

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Information Returns Processing (IRP)”; “Payer Master File (PMF)” and a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 22.061 – Information Return Master File; IRS 24.030 – Customer Account Data Engine Master File; IRS 34.037 - IRS Audit Trail and Security Records System, IRS 24.046-Cade Business Master File. The Department of Treasury PIAs can be found at <http://www.treasury.gov/privacy/PIAs/Pages/default.aspx>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate for §§1.337(d)-2(c)(1) and (3):
It is estimated that 3,750 taxpayers annually will dispose of stock of a subsidiary to which §1.337(d)-2(a) will apply and claim a deduction for losses recognized on these dispositions under §1.337(d)-2(c)(1) and (3). It is estimated that the average reporting

burden will be 2 hours. The estimated frequency of responses is 1 time. Accordingly, the estimated annual reporting burden is 7,500 hours.

The burden estimate for §1.1502-32(b)(4)(vii)(C):

It is estimated that 100 taxpayers will elect to amend their §1.1502-32(b)(4) election. It is estimated that the average reporting burden will be 2 hours. The estimated frequency of responses is 1 time. The estimated reporting burden is 200 hours.

Estimated total annual reporting burden: 3,850 hours.

Estimated average annual burden per respondent: 2 hours.

Estimated number of respondents: 7,700.

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 RESPONDENT

As suggested by OMB, our *Federal Register* notice dated November 5, 2013, 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 FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

Previous information collections requirements prescribed under §1.1502-20 were removed and reserved by TD 9424 on September 17, 2008 (73 FR 53934). The burden associated with this section has been removed.

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 not appropriate 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

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.