

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Creditability of Foreign Taxes
(LR-100-78) TD 7918
OMB Number 1545-0746

17584. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 901 of the Internal Revenue Code allows a taxpayer a tax credit for the amount of any income, war profits, or excess profits taxes it has paid or accrued during the taxable year. The attached final regulations contain foreign tax credit regulations that give taxpayers guidance as to what types of foreign taxes qualify as income, war profits, or excess profits taxes.

Section 1.901-2A of the regulations contains special rules that apply to taxpayers engaging in business transactions with the foreign government that is also taxing them. In general, such taxpayers have the burden of establishing what portion of a payment made pursuant to a foreign levy is actually tax and not compensation for an economic benefit received from the foreign government. One way in which a taxpayer may meet its burden of proof is by electing to apply the safe harbor formula contained in paragraph (e) of §1.901- 2A. This formula divides the payment into an amount that is tax and an amount that is compensation for an economic benefit. A foreign tax credit is only allowed for the amount that is tax (assuming it meets the other requirements of the regulations). Pursuant to paragraph (d) of §1.901-2A, a taxpayer wishing to apply the safe harbor formula must file a statement with the Internal Revenue Service stating it has elected to apply the formula. In general, the statement must be filed with the income tax return for the taxable year for which the election is made. The election also applies to all subsequent taxable years and cannot be revoked without the consent of the Commissioner.

17585. USE OF DATA

The Internal Revenue Service uses this statement in order that it may properly determine a taxpayer's tax liability.

17586. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The agency has determined that low filing volume does not justify the cost of electronic enabling.

17587. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available or use or adaption from another source.

17588. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There are no small entities affected by this collection.

6. **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

With a less frequent collection of data would impede the Internal Revenue Service's ability to properly determine a taxpayer's tax liability. Without this information, government effectiveness could be adversely affected and would reduce the oversight of the public in ensuring compliance with the Internal Revenue Code.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

In response to the Federal Register notice dated September 30, 2019 (84 FR 37009), we received no comments during the comment period regarding these regulations.

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

No payment or gift has been provided to any respondents.

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**

There is no personally identifiable information collected.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

The burden was determined by approximating the amount of time required to prepare a statement that the taxpayer has elected to apply the safe harbor formula contained in paragraph (e) of §1.901-2A. We estimate that 110 respondents will each take .34 hours to complete the required statement. The burden for this requirement is 37.4 hours. The burden was also determined by approximating the amount of time required to apply for revocation of the election to apply the safe harbor formula. We estimate that 10 respondents will take .34 hours to complete the required statement to apply for revocation. The burden for this requirement is approximately 3.4 hours. The total burden for both requirements is 41 hours.

	Description	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
TD 7918	Creditability of Foreign Taxes	120	1	120	.34	41
	Totals	120	1	120	.34	41

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1144 to these regulations.

26.2662-1(b)

20.6018-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. The agency is making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form 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

There are no exceptions to the certification statement.

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.