

**SUPPORTING STATEMENT  
(IRS Form 8697)**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Sections 460(a)(2) and 460(b)(1)(B) of the Internal Revenue Code (IRC) require that taxpayers computing gross income under the percentage of completion method with respect to any long-term contract entered into after 2/28/86, must pay (or shall receive) interest determined under the look-back method of IRC section 460(b)(3). Form 8697 is used by taxpayers to report the amount of interest due or to be refunded. Taxpayers may use Part I, the regular method, or Part II, the simplified marginal impact method. In no instance will any taxpayer complete both parts.

**2. USE OF DATA**

The data on Form 8697 will be used in computing the tax liability and in determining that the items claimed are properly allowable. It is also used for general statistical purposes.

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

Form 8697 is electronically enabled.

**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**

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

Periodic meetings are held between IRS personnel and representatives of the American Bar Association, the National Society of Public Accountants, the American Institute of Certified Public Accountants, and other professional groups to discuss tax law and tax forms. During these meetings, there is an opportunity for those attending to make comments regarding Form 8697.

In response to the Federal Register Notice dated June 5, 2008 (73 FR 32082), we received no comments during the comment period regarding Form 8697.

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

The burden estimate is as follows:

	<u>Number of Respondents</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 8697			
Part I	3,000	13.42	26,840
Part II	<u>2,000</u>	10.29	<u>13,717</u>
5,000	40,557		

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1031 to these

regulations:

1.460-6

1.6661-3

**13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

As suggested by OMB, our Federal Register notice dated June 5, 2008 (73 FR 32082), 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**

The primary cost to the government consists of the cost of printing the form. We estimate that the cost of printing Form 8697 is \$5,572.

**15. REASONS FOR CHANGE IN BURDEN**

Although there is no change to the form itself, the number of code references has been recalculated to show a decrease of 18. This results in a net decrease in burden of 4,999 hours. 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**

See attachment.

**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.