

SUPPORTING STATEMENT  
(TD 8972 (final))

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1301 of the Internal Revenue Code allows an individual engaged in a farming business to elect to reduce his or her regular tax liability by treating all or a portion of the current year's farming income as if it had been earned in equal proportions over the prior three years. To take advantage of income averaging, §1301 requires that the taxpayer calculate the §1 tax using the three prior year's tax tables and, if applicable, Schedule D, Capital Gains and Losses, (to apply the maximum capital gains tax rates), as well as the current year's tax tables or tax rate schedules. The regulation requires the taxpayer to use Schedule J of Form 1040 to record and total the amount of tax for each year of the four year calculation.

2. USE OF DATA

This information will be used to determine that the amount of tax has been calculated correctly.

3. USE 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 BUSINESSES OR OTHER SMALL ENTITIES

We are unable to reduce burden specifically for small businesses.

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 (REG-121063-97) was published in the **Federal Register** on October 8, 1999 (64 FR 54836). A public hearing was held on February 15, 2000. The final regulations (TD 8972), were published in the **Federal Register** on January 8, 2002 (67 FR 817).

We received no comments during the comment period in response to the **Federal Register** notice (73 FR 46361), dated August 8, 2008.

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 collection of information in this regulation is in §1.1301-1(c) under the heading "Making, changing, or revoking an election." This section provides that an election for averaging farm income is made by filing Schedule J "Farm Income Averaging," with the individual income tax return (Form 1040) for the election year. Schedule J may be filed by individuals engaged in a farming business and by partners or shareholders whose partnerships or S corporations engage in a farming business. This collection of information is required by the IRS to verify compliance with §1301. This information will be used to determine whether the amount of tax for an individual has been

calculated correctly. The burden for this requirement is reflected in the burden of Schedule J, which is attached to the individual income tax return for the taxable year in which income averaging is elected.

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 August 8, 2008, 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 to the paperwork burden previously approved by OMB.

This document is being submitted for renewal purposes only.

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.