

SUPPORTING STATEMENT

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 448(d)(5) provides that taxpayers may use a nonaccrual-experience method that, based on their experience, clearly reflects the amount of income from the performance of certain services that will not be collected. These final regulations provide self-testing requirements for taxpayers who chose to use an alternative nonaccrual-experience method, as opposed to one of the enumerated safe harbor nonaccrual-experience methods. These final regulations require the taxpayers who self-test to maintain records necessary to perform the self-test.

2. USE OF DATA

The recordkeeping requirements will be used to self-test and verify that the taxpayer's alternative nonaccrual experience method clearly reflects their experience.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

None. The recordkeeping is based on individual taxpayer information technology and data processing systems. There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

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

In response to the Federal Register Notice dated August 19, 2009 (74 R. F. 40645), we received no comments during the comment period regarding REG-141402-02.

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

Section 1.448-2(d)(8) requires taxpayers using a nonaccrual-experience method to maintain records demonstrating: (1) the nature of the taxpayer's nonaccrual-experience method, (2) whether for any particular taxable year, the taxpayer qualifies to use its nonaccrual-experience method, (3) the taxpayer's determination that amounts are uncollectible, (4) the proper amount that is excludable, and (5) the taxpayer's determination date. In addition, section 1.448-2(e)(5) requires that a taxpayer must document in its books and records, the method used to conduct the self-test requirement. Most taxpayers already maintain specific identification of accounting data, including accounts receivable, charge-offs and recoveries. Therefore, the reporting requirement should add no additional undue burden. We estimate that **8,000 recordkeepers** will keep records annually. The estimated annual burden per recordkeeper varies from **1 to 5 hours**, depending on individual circumstances, with an estimated **average of 3 hours**. This results in a **total burden of 24,000 hours**.

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 OMB, our Federal Register Notice dated August 18, 2009 (74 FR 40645), requested public comments on estimates of cost burden that are not captured on the estimates of burden hour, 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 cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no annualized cost to the Federal Government.

15. REASONS FOR CHANGE IN BURDEN

Not applicable.

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 revenue procedure 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-

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.

OMB EXPIRATION DATE

We believe the public interest will be better served by not printing an expiration date on the form(s) in this package.

Printing the expiration date on the form will result in increased costs because of the need to replace inventories that become obsolete by passage of the expiration date each time OMB approval is renewed. Without printing the expiration date, supplies of the form could continue to be used.

The time period during which the current edition of the form(s) in this package will continue to be usable cannot be predicted. It could easily span several cycles of review and OMB clearance renewal. In addition, usage fluctuates unpredictably. This makes it necessary to maintain a substantial inventory of forms in the supply line at all times. This includes supplies owned by both the Government and the public. Reprinting of the form cannot be reliably scheduled to coincide with an OMB approval expiration date. This form may be privately printed by users at their own expense. Some businesses print complex and expensive marginally punched continuous versions, their expense, for use in their computers. The form may be printed by commercial printers and stocked for sale. In such cases, printing the expiration date on the form could result in extra costs to the users.

Not printing the expiration date on the form(s) will also avoid confusion among taxpayers who may have identical forms with different expiration dates in their possession.

For the above reasons we request authorization to omit printing the expiration date on the form(s) in this package.