

SUPPORTING STATEMENT
IA-120-86 (Final) Capitalization of Interest
OMB No. 1545-1265

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 263A(f) requires taxpayers to estimate the length of the production period and total cost of tangible personal property to determine if interest capitalization is required. Additionally, section 263A(f) requires taxpayers to adopt or change one or more methods of accounting for the capitalization of interest.

2. USE OF DATA

The records required to be maintained will be used in auditing taxpayers. The information reported will be used to evaluate the appropriateness of granting consent to change methods of accounting.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, Notices and Letter 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

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

A Notice of Proposed Rulemaking was published in the **Federal Register** on August 16, 1991 (56 FR 40815), and a public hearing was held on November 20, 1991. After consideration of all public comments, the final regulations were published in the **Federal Register** on December 29, 1994 (59 FR 67187).

We received no comments during the comment period in response to the **Federal Register** notice (75 FR 33892), dated June 15, 2010.

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

§1.263A-8(b)(2)(iii) requires taxpayers to maintain records supporting their estimates of the production period and total cost of tangible personal property to determine if interest capitalization is required. It is estimated to require 14 minutes of annual recordkeeping by an estimated 500,000 respondents, for a total estimated recordkeeping burden of 116,667 hours.

§1.263A-9(d)(1), §1.263A-9(e)(1), §.263A-9(f)(1)(ii), §1.263A-9(g)(2)(iv)(C), and §1.263A-9(g)(3) (iv) require information in order to request the Commissioner's consent to change methods of accounting for the capitalization of interest. The burden estimate for this requirement is reflected in the burden of Form 3115.

§1.263A-9(g)(3)(iv) requires taxpayers to request a ruling to segregate activities in calculating the amount of interest required to be capitalized. It is estimated 50 respondents to make one response each, which is estimated to take 2 hours to prepare, for a total estimated reporting burden of 100 hours.

The total annual burden hours for this information collection are 116,667 + 100 =

116,767.

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 June 15, 2010, 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 in the paperwork burden previously approved by OMB. 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

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.