

SUPPORTING STATEMENT  
(Form 4562)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Code section 164 provides for an allowance of a depreciation deduction for property used in a trade or business or held for the production of income. For assets placed in service after 1986, the depreciation deduction is computed by using the applicable depreciation method, recovery period, and convention.

Code section 179 provides for an election to expense depreciable assets. The maximum amount that can be expended in any tax year is \$10,000. This limit is further reduced if the taxpayer places in service more than \$200,000 of assets, or has less than \$10,000 of aggregate taxable income. In certain instances, the taxpayer may be allowed to carry over any disallowed expense deduction to a subsequent tax year.

Code section 280F sets limits on the amount of depreciation for automobiles and other listed property. Code section 274(d)(4) requires all taxpayers who claim a depreciation deduction for automobiles and other listed property to substantiate the deduction. Temporary regulations section 1.274-5(d) requires disclosure of the business use of automobiles on the tax return.

Form 4562 is used to claim a deduction for depreciation and/or amortization; make a section 179 election to expense depreciable assets; and answer questions regarding the use of automobiles and other listed property to substantiate the business use under section 274(d).

P.L. 111-5 section 1201(a) extended IRC section 168(k)(2) to include property placed in service before January 1, 2010. It extends a provision that allows taxpayers the ability to take a special depreciation allowance on the certain qualified property in addition to the depreciation deduction they normally take under the Modified Accelerated Cost Recovery System (MACRS). The impact to the filings of the 2008 Form 4562 would only affect fiscal year taxpayers whose tax years begin in 2008 and end in 2009.

P.L. 111-5 section 1201(b)(1)(A) extended IRC section 168(k)(4) to include property placed in service before January 1, 2010, for eligible qualified property (January 1, 2011, for certain aircraft and property with a long production period). This extension affects Forms 3800 and 8827 in making the election to accelerate research and minimum tax credits in lieu of special depreciation allowance during fiscal year 2008, not Form 4562.

P.L. 111-5 section 1201(b)(1)(B) added new IRC section 168(k)(4)(H) which added special rules for extension property. As with item (2) above, the affects are seen on Forms 3800 and 8827 and not Form 4562.

## Record Keeping Regulations

1.312-15(d)  
1.167(a)-7(c)  
1.167(a)-II(c)(3)&(4)  
1.167(e)-I(c)  
1.167(e)-I(d)(2)  
1.167(j)(3)  
1.167(a)-II(f)  
1.167(f)-II(a)  
1.177-I(a)(4)

### 2. USE OF DATA

The form provides the IRS with the information necessary to determine that the correct depreciation deduction is being claimed.

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

We are currently offering electronic filing on Form 4562.

### 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

Small businesses should not be disadvantaged as the form has been structured to request the least amount of information and still satisfy the requirements of the statute and the needs of the Service.

### 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 4562.

In response to the Federal Register notice [75 FR 38869] dated July 6, 2010, we received 1 comment during the comment period regarding Form 4562.

The Chief Statistician, Dennis J. Fixler, of the U.S. Department of Commerce Bureau of Economic Analysis strongly supports the continued collection of data by the Internal Revenue Service (IRS) on Form 4562, because the data collected are crucial to key components of BEA's economic statistics.

The comment was forwarded to the originator of the form. No response was necessary, however the originating office will take into account these and any other comments received in our next revision cycle of the form.

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:

			Number of per	Time Total
			<u>Responses</u>	
			<u>Response</u>	
			<u>Hours</u>	
Form 4562			12,131,126	
			36.92	
			447,881,172	
Form 4562(Worksheet)	<u>182,500</u>	2.67	<u>487,275</u>	
			Total	
			12,313,626	
			448,368,447	

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

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As suggested by OMB, our Federal Register notice [75 FR 38869] dated July 6, 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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution and overhead for the form is \$39,100.

15. REASONS FOR CHANGE IN BURDEN

Adjustments have been made to this collection to more accurately reflect the Agency estimates of the number of filers to the form and the associated burden. This includes;

- \* An increase in the estimated number of filers of the form by 7,331,126.
- \* The creation of a new IC to account for the burden associated with the use and completion of the Depreciation and Amortization Worksheet (located in the instructions). This results in an adjustment increase of 182,500 responses and 487,275 burden hours.
- \* A correction was also made to the burden associated with the Form 4562 to account for inconsistencies within this collection by decreasing the burden by 960,000 hours.

The end result of these adjustments results in a total adjustment increase of 7,513,626 estimated responses and a total burden decrease adjustment of 472,725 hours.

Changes were also made to the form and instructions to account for changes in the tax laws;

- For tax years beginning after 2009, cellular telephones and similar telecommunications equipment have been removed from the definition of listed property.
- For tax years beginning in 2010; the maximum section 179 expense deduction changed to \$500,000, the definition of section 179 property has been expanded to include certain qualified real property, and for qualified property acquired after September 8, 2010, taxpayer may be able to take a depreciation deduction of 100% of the cost of the property.

The changes made to the form and instructions have resulted in total burden increase of 331,293,584 hours as a result of agency discretion and a total burden decrease of 100,324,412 hours related to the changes in Statute.

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 statutes/regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of 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.