

SUPPORTING STATEMENT
(Form 8866)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Small Business Job Protection Act of 1996 (P.L. 104-188) requires taxpayers that claim depreciation deductions on property placed in service after September 13, 1995, under the income forecast method to pay (or allow taxpayers to receive) interest based on the recalculation of depreciation under a “look-back” method for any recomputation year. A recomputation year is the third and tenth year following the year the property was placed in service. Code section 167 (g) governs the income forecast method.

Form 8866 (Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method) will be filed by taxpayers for a recomputation year for the calculation of interest. However, this form does not have to be filed for property with a cost basis of \$100,000 or less and if the actual income was within 10 percent of the estimated income from the property for such period.

Effective for property placed in service after August 5, 1997, the income forecast method is specifically limited to film, video tape, sound recordings, copyrights, books, patents, and other property to be specified by regulations Code Sec. 167(g)(6), as added by P.L. 105-34).

2. USE OF DATA

Form 8866 will be used by the IRS to determine if the interest has been computed correctly.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing.

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 8866.

In response to the **Federal Register** Notice (75 FR 38871), dated July 6, 2010, we received no comments during the comment period regarding Form 8866.

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

	<u>No.of Responses</u>	<u>Time per Response</u>	<u>Total hours</u>
Form 8866	3,300	13.37	44,121

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** Notice 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 responses from taxpayers on this subject. As a result, estimates of these 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, distributing, and overhead for this form is \$136.20.

15. REASONS FOR CHANGE IN BURDEN

There are no changes being made to Form 8866 at this time.

We are making this submission for renewal purposes.

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.