

SUPPORTING STATEMENT
REG-105946-00
(TD 8995)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The information is needed by taxpayers who assume the obligation to account for the income from long-term contracts as the result of certain nontaxable transactions.

This document contains final regulations concerning a mid-contract change in taxpayer of a contract accounted for under a long-term contract method of accounting.

2. USE OF DATA

The information will enable taxpayers to assume the obligation to account for the income from long-term contracts following certain nontaxable transactions.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing. IRS publication, 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

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

On February 16, 2001, a notice of proposed rulemaking (REG-105946-00) relating to a mid-contract change in taxpayer of a contract accounted for under a long-term

contract method of accounting was published in the Federal Register (66 FR 10643). Written comments were received from the public in response to the notice of proposed rulemaking. No public hearing was requested or held. After consideration of all comments, the proposed regulations are adopted as amended by TD 8995. The final regulations (TD 8995), was published in the Federal Register on May 15, 2002 (67 FR 34603).

Final regulations were published under TD 9137 on July 16, 2004 (69 FR 42551) that were necessary to resolve issues that were reserved in final regulations under section 460 published in May 15, 2002, addressing mid-contract changes in taxpayer engaged in completing such contracts. There was no new burden associated with this rule.

We received no comments during the comment period in response to the Federal Register notice dated October 16, 2012, (77 FR 63422).

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

Under §1.460-6(g)(3)(ii)(D)(1): A taxpayer that has reported income from a long-term contract under the PCM (percentage-of-completion method) or PCCM (70/30 percentage-of-completion/capitalized cost method) for either regular or alternative minimum tax purposes is required to provide the following information to the taxpayer that has assumed that obligation as the result of certain nontaxable transactions:

(1) The portion of the contract reported by the old taxpayer under PCM for regular and alternative minimum tax purposes (i.e., whether the old taxpayer used PCM, the 40/60 PCCM method, or the 70/30 PCCM method);

(2) The submethod used to apply PCM (i.e., the simplified cost-to-cost method or the 10-percent method, or neither);

(3) The amount of total contract price reported by year;

(4) The numerator and the denominator of the completion factor by year;

(5) The due date (not including extensions) of the old taxpayer's income tax

returns for each taxable year in which income was required to be reported;

(6) Whether the old taxpayer is a corporate or a noncorporate taxpayer; and

(7) Any other information required by the Commissioner by administrative pronouncement.

The information must be provided by the due date (not including extensions) of the first taxpayer's income tax return for the taxable year ending with, or the first taxable year ending after the transaction. It is estimated the above requirements will affect 5,000 respondents per year, with a burden of approximately 2 hours per respondent, for an annual burden of 10,000 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 by OMB, our Federal Register notice dated October 16, 2012, 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 regulations sunset 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.