

Supporting Statement
1545-0177
Form 4684
Casualties and Thefts

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code section 165 and sections 1.165-1 through 1.165-11 of the regulations allow a deduction for losses due to casualties or thefts. Section A of Form 4684 provides the computation for casualty or theft gains or losses from property not used in a trade or business. Section B of Form 4684 provides the computation of gains or losses involving business or income producing property. In cases where gains exceed losses, the net gain is subject to IRC section 1231 and regulations sections 1.1231-1 and 1.1231-2. Section C of Form 4684 incorporates Appendix A from Revenue Procedure 2009-20. It is used to figure a theft loss deduction from a Ponzi-Type investment scheme if the taxpayer qualifies to use Revenue Procedure 2009-20 and chooses to follow the procedures in the guidance.

2. USE OF DATA

Form 4684 provides the IRS with information to verify a taxpayer's casualty or theft loss computation. The addition of Section C provides the IRS with specific information used to verify that requirements are met when theft loss deduction is claimed due to a Ponzi-type investment scheme.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing for Form 4684.

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 4684.

In response to the **Federal Register Notice** dated May 22, 2014 (79 FR 29504), we received no comments during the comment period regarding Form 4684.

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

No personally identifiable information (PII) is collected. Individual reporting is covered under OMB No. 1545-0074.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

	<u>Number of Responses</u>	<u>Time per Response</u>	<u>Total Hours</u>
Form 4684	320,000		5.72 1,830, 400

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

The following regulations impose no additional burden.

1.165-1 through 11

1.1231-1 and 2

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register Notice** dated May 22, 2014 (79 FR 29504), 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

The primary cost to the government consists of the cost of printing this form. We estimate that the cost of printing the form is \$12,739.

15. REASONS FOR CHANGE IN BURDEN

The Department has updated the burden associated with the ICR to reflect its most recent data on Form 4684 filings. We estimate 51,650 additional filings which will increase our estimates from 268,350 to 320,000. An increase of 286,141 burden hours is due to this adjustment in agency estimate.

The agency added a new section (C), requiring taxpayers to include specific information supporting key eligibility requirements, such as identifying the criminal act and individual or entity that committed the criminal act, which could be used to verify that requirements were met. This new section incorporates Appendix A from Revenue Procedure 2009-20. It will require taxpayers, claiming a theft loss deduction due to a Ponzi-type investment scheme and using the procedures in Rev. Proc. 2009-20, to include specific information supporting key eligibility requirements. The addition of Section C and changes in instructions will increase the estimated burden hours from due to program change by 57,600 from 1,772,800 to 1,830,400.

Total burden increase of 343,741 hours; 1,830,400 burden hours requested.

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 leading taxpayers to believe that the revenue procedure will sunset as of the expiration date. Taxpayers are not likely to be aware that the Service may request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

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.