

**SUPPORTING STATEMENT**  
**TD 8578 - Election Out of Subchapter K for**  
**Producers of Natural Gas**  
**#1545-1338**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 761(a) authorizes the Secretary to issue regulations permitting the Members of certain unincorporated organizations to elect to have the organization excluded from subchapter K. Regulation section 1.761-2(d)(2)(i) requires that in order to make or maintain an election out of subchapter K, all parties to the same gas balancing agreement use the same of two new permissible methods (described in the regulation) to account for their sales of gas and for certain deductions and Credits arising from those sales. The regulation applies to gas producers subject to gas balancing agreements on the date that the notice is published ("effective date") for their first tax years beginning on or after that date.

The two new methods described in the regulation are methods of accounting for purpose of section 446. Thus, a change to either method to comply with section 1.761-2(d)(2)(i) constitutes a change in method of accounting entailing the Commissioner's prior consent under section 446(e). Section 1.761-2(d)(5)(i) provides an automatic consent procedure for gas producers changing to either new method. The procedure includes the filing of (1) a Form 3115, (2) a statement indicating to which of the two methods a producer is changing its method for each of the producer's gas balancing agreements, and (3) in certain cases the agreement among the co-producers under a gas balancing agreement to use of the two new methods.

2. USE OF DATA

The reporting requirement applies to all members of unincorporated organizations that operate under a gas balancing agreement in effect on the effective date and that seek to maintain an election out of subchapter K. These members must file the Form 3115 and the additional information with their timely filed return for their first tax year beginning on or after the effective date.

The filing of Form 3115 is required for changes in method of

accounting. The form is used to monitor changes in method of accounting. The additional information required to be provided with the Form 3115 is to provide the Internal Revenue Service with essential information necessary to monitor compliance with the new requirements.

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

These regulations were published in the Federal Register as a **Notice** of Proposed Rulemaking on September 16, 1992 (57 FR 42712). A public hearing was held on November 17, 1992. Final regulations were published on December 23, 1994 (59 FR 66181).

We received no comments during the comment period in response to the **Federal Register** notice dated April 24, 2013, at 78 FR 24311.

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 collection of information is in section 1.761-2(d)(5) (i). Under that provision, consent is requested by filing Form 3115 and certain additional information.

The burden of filing Form 3115 is already reflected in the burden estimates for Form 3115.

Approximately 10 taxpayers will be affected by the additional information filing requirement and it will take each respondent approximately .5 hour to prepare the information. This is a one-time filing requirement. The estimated total burden is 5 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 April 24, 2013, at 78 FR 24311, 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.