

SUPPORTING STATEMENT
TD 8554
OMB 1545-1412

• **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

These final regulations provide guidance to taxpayers regarding when gain or loss from common business hedging transactions is recognized for tax purposes. Paragraph (d) of §1.446-4 requires that the books and records maintained by a taxpayer disclose the method or methods used to account for different types of hedging transactions. The purpose of this rule is to ensure that the taxpayer has such records as are necessary to allow a Service examiner to determine whether the method of accounting used by the taxpayer for a transaction clearly reflects income.

• **USE OF DATA**

Paragraph (d) of §1.446-4 requires that the books and records maintained by a taxpayer disclose the method or methods used to account for different types of hedging transactions. This recordkeeping requirement is required by the Internal Revenue Service to verify compliance with section 446 of the Internal Revenue Code. This information will be used to determine whether the amount of tax has been computed correctly. If such recordkeeping were not required, then the IRS would not be able to achieve these objectives.

• **USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN**

IRS Publications, 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.

• **EFFORTS TO IDENTIFY DUPLICATION**

We have attempted to eliminate duplication within the agency wherever possible.

• **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

There are no small entities affected by this collection.

• **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

This information will be used to determine whether the amount of tax has been computed correctly. If such recordkeeping were not required, then the IRS would not be

able to achieve these objectives.

. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

There are no special circumstances requiring data collection to be inconsistent with guidelines in 5CFR 1320.5(d)(2).

. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

A notice of proposed rulemaking was published in the **Federal Register** on October 20, 1993 (58 FR 54077). A public hearing was held with respect to the notice of proposed rulemaking on January 19, 1994. All comments were taken into account in the drafting of the final regulations. The final regulations were published in the **Federal Register** on July 18, 1994.

In response to the Federal Register Notice dated June 30, 2015 (80 FR 37363), we received no comments during the comment period regarding TD 8554.

. **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

No payment or gift has been provided to any respondents.

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.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

Paragraph (d) of §1.446-4 of the final regulations requires that the books and records maintained by a taxpayer disclose the method or methods used to account for different types of hedging transactions. We estimate that 100,000 businesses or other for-profit institutions will make the identification required under §1.446-4(d) of the regulation, with an estimated annual burden per record-keeper of .20 hour, with an estimated total annual recordkeeping burden of 20,000 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 June 30, 2015, 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

There are no start-up costs associated with this collection.

15. REASONS FOR CHANGE IN BURDEN

There is a change in burden to reflect a decrease based on the updating of citation information .

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

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.