

SUPPORTING STATEMENT
Limitation on Use of the Nonaccrual-Experience Method of Accounting
under Section 448(d)(5)
TD 9285
OMB Control Number 1545-1855

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 448(d)(5) provides that taxpayers may use a nonaccrual-experience method that, based on their experience, clearly reflects the amount of income from the performance of certain services that will not be collected. For taxpayers and the IRS to implement and administer the nonaccrual-experience method, the determination of actual experience is necessary. These final regulations provide self-testing requirements for individual taxpayers who chose to use an alternative nonaccrual-experience method, as opposed to one of the enumerated safe harbor nonaccrual-experience methods. These final regulations require the taxpayers who self-test to maintain records necessary to perform the self-test.

2. USE OF DATA

The recordkeeping requirements will be used to self-test and verify that the taxpayer's alternative nonaccrual experience method clearly reflects their experience. The Internal Revenue Service (IRS) will not be collecting this information, but recordkeeping is required to enable the IRS to verify that a taxpayer is reporting the correct amount of income or gain or claiming the correct amount of losses, deductions, or credits from the taxpayer's use of the nonaccrual-experience method of accounting, for regulatory and compliance purposes, and/or audits.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

None. The recordkeeping is based on individual taxpayer information technology and data processing systems. There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

4. EFFORTS TO IDENTIFY DUPLICATION

The agency has attempted to eliminate duplication wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There is no burden on small businesses or entities as the recordkeeping requirements are for individuals only.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Section 448(d)(5) provides that taxpayers may use a nonaccrual-experience method that clearly reflects the amount of income from the performance of certain services that will not be collected. These final regulations provide self-testing requirements for individual taxpayers who chose to use an alternative nonaccrual-experience method, as opposed to one of the enumerated safe harbor nonaccrual-experience methods. These final regulations require the taxpayers who self-test to maintain records necessary to perform the self-test. This information is not collected by the IRS, however recordkeeping is necessary for taxpayers and the IRS to implement and administer the nonaccrual-experience method, the determination of actual experience is necessary.

7. 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 5 CFR 1320.5(d)(2).

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

TD 9285 was published in the Internal Revenue Bulletin on September 6, 2006, (71 FR 52430).

We received no comments during the comment period in response to the Federal Register notice dated April 05, 2016 (81 FR 19715).

9. 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

Section 1.448-2(d)(8) requires taxpayers using a nonaccrual-experience method to maintain records demonstrating: (1) the nature of the taxpayer's nonaccrual-experience method, (2) whether for any particular taxable year, the taxpayer qualifies to use its nonaccrual-experience method, (3) the taxpayer's determination that amounts are uncollectible, (4) the proper amount that is excludable, and (5) the taxpayer's determination date. In addition, section 1.448-2(e)(5) requires that a taxpayer must document in its books and records, the method used to conduct the self-test requirement. Most taxpayers already maintain specific identification of accounting data, including accounts receivable, charge-offs and recoveries. Therefore, the reporting requirement should add no additional undue burden.

Recordkeeping Burden Estimates:

<u>Recordkeepers</u>	<u>Annual Burden per Recordkeeper</u>	<u>Total Burden Hours</u>
8,000	3 hours	24,000

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is no cost burden to respondents.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no annualized cost to the Federal Government.

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

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 statutes/regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

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.

