

**SUPPORTING STATEMENT**  
**Revenue Procedure 98-25**  
**OMB # 1545-1595**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Persons subject to income tax, or required to file a return of information with respect to income, are required by regulations issued under §6001 of the Code to keep books or records, including inventories, that are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by that person in any return of such tax or information. Also, the regulations provide that the books or records must be kept available at all times for inspection by authorized internal revenue officers or employees, and must be retained so long as the contents thereof may become material in the administration of any internal revenue law.

Rev. Proc. 98-25 specifies the basic requirements that the Internal Revenue Service considers to be essential in cases where a taxpayer's machine-sensible records are maintained within an Automatic Data Processing system (ADP). The Rev. Proc. requires that a taxpayer must promptly notify its District Director if any machine-sensible records are lost, stolen, destroyed, damaged, or otherwise no longer capable of being processed or are found to be incomplete or materially inaccurate (affected records). The taxpayer's notice must identify the affected records and include a plan that describes how, and in what timeframe, the taxpayer proposes to replace or restore the affected records in a way that assures that they will be capable of being processed. The District Director will notify the taxpayer of any objection(s) to the taxpayer's plan.

Also, a taxpayer who maintains machine-sensible records may request to enter into a Record Retention Limitation Agreement (RRLA) with its District Director. This agreement provides for the establishment and maintenance of records as agreed upon by the District Director and the taxpayer. The taxpayer's request must identify and describe those records the taxpayer proposes not to retain and explain why those records will not become material to the administration of any internal revenue law. The District Director will notify

the taxpayer whether or not the District Director will enter into an RRLA.

The District Director is authorized under the revenue procedure to conduct a records evaluation to review a taxpayer's record retention practices, including the taxpayer's relevant data processing and accounting systems. The District Director also may periodically initiate tests to establish the authenticity, readability, completeness, and integrity of a taxpayer's machine-sensible records retained in conformity with Rev. Proc. 98-25.

2. USE OF DATA

The IRS will use this information to help persons meet their obligation to keep books or records required by the regulations under §6001 of the Code.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

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

We have been unable to reduce the burden of small businesses.

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

If the IRS did not collect this information, the IRS would not be able to assist in helping taxpayers meet their obligation to keep books or records required by the regulations under §6001 of the Code.

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

Revenue Procedure 98-25 was published in the Internal Revenue Bulletin on March 16, 1998 (1998-11 IRB 7).

In response to the Federal Register notice dated September 28, 2016 (81 FR 66740), we received no comments during the comment period regarding Rev. Proc. 98-25.

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 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collections of information in this revenue procedure are in sections 8 and 10 of the revenue procedure. This information is required to ensure that machine-sensible records will constitute records within the meaning of §6001 of the Code. The collections of information are mandatory for a taxpayer whose machine-sensible records are kept within an ADP system.

Section 8 of the revenue procedure requires that a taxpayer must promptly notify its District Director if any machine-sensible records are lost, stolen, destroyed, damaged, or otherwise no longer capable of being processed or are found to be incomplete or materially inaccurate (affected records). The taxpayer's notice must identify the affected records and include a plan that describes how, and in what time frame, the taxpayer proposes to replace or restore the affected records in a way that assures that they will be capable of being processed. The District Director will notify the taxpayer of any objection(s) to the taxpayer's plan.

Also, section 10 of this revenue procedure provides that a taxpayer who maintains machine-sensible records may request to enter into a Record Retention Limitation Agreement (RRLA) with its District Director. This agreement provides for the establishment and maintenance of records as agreed upon by the District Director and the taxpayer. The taxpayer's request must identify and describe those records the taxpayer proposes not to retain and explain why those records will not become material to the administration of any internal revenue law. The District Director will notify the taxpayer whether or not the District Director will enter into an RRLA.

Section 10 also authorizes the District Director to conduct a records evaluation to review a taxpayer's record retention practices, including the taxpayer's relevant data processing and accounting systems. The District Director also may periodically initiate tests to establish the authenticity, readability, completeness, and integrity of a taxpayer's machine-sensible records retained in conformity with Rev. Proc. 98-25.

We estimate that the number of record keepers for these sections will be 3,000 and the estimated annual burden per record keeper will average 40 hours. The estimated total annual recordkeeping burden is 120,000 hours per year.

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

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

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There are no known annualized costs 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 revenue procedure 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

There are no exceptions to the certification statement for this collection.

**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.