

SUPPORTING STATEMENT

Application To Use LIFO Inventory Method
(Form 970)
OMB # 1545-0042

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Form 970 is filed by individuals, partnerships, estates or trusts, or corporations to request permission to change their method of accounting for inventory to the last-in first-out (LIFO) method.

2. USE OF DATA

Form 970 is filed with income tax returns that elect to use the last-in, first-out (LIFO) inventory method described in section 472.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing on Form 970.

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

There are no small entities affected by this collection.

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

The IRS collects Form 970 to know that a company is changing its inventory method to the LIFO method. A change to the LIFO method of inventory could reduce taxable income and the tax paid by a business. The IRS wants to know when there is a change to the inventory method. It could alter the cost of goods sold which is often a significant expense for a business.

A change of inventory is a bookkeeping change but it could impact the bottom line and lower taxes. The IRS should continue to collect this information.

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**

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 970.

In response to the *Federal Register Notice* (81 FR 79118), dated November 10, 2016, we received no comments during the comment period regarding Form 970.

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

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Business Master File (BMF)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.046-Customer Account Data Engine Business Master File. The Internal Revenue Service PIAs can be found at <http://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

<u>Form</u>	<u>No. of</u>	<u>Time per</u>	<u>Response</u>
		<u>Responses</u>	

Total hours

Form 970	2,000	21.11	42,220
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The time needed to complete this form will vary depending on individual circumstances. Form 972 is used by shareholders, individuals, businesses, and other taxpayers. The estimate of burden that is being reported under 1545-0042 reports only the burden imposed on shareholders. The portion of the burden imposed on individual taxpayers is approved and reported under OMB Control Number 1545-0074. The portion of the burden imposed on businesses is approved and reported under OMB Control Number 1545-0123.

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

following regulations impose no additional burden. Please continue to assign OMB number 1545-0042 to these regulations.

1.472-1
1.472-3

1.472-8

We have reviewed these regulations and have determined that the reporting requirements contained in them are entirely reflected on the form. The justification appearing in item 1 of the supporting statement applies to both these regulations and Form 970.

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

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distributing and overhead for this form is \$5,411.

15. REASONS FOR CHANGE IN BURDEN

There is no change to the burden previously approved by OMB.

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 the public interest will be better served by not printing an expiration date on the form(s) in this package.

Printing the expiration date on the form will result in increased costs because of the need to replace inventories that become obsolete by passage of the expiration date each time OMB approval is renewed. Without printing the expiration date, supplies of the form could continue to be

used.

The time period during which the current edition of the form(s) in this package will continue to be usable cannot be predicted. It could easily span several cycles of review and OMB clearance renewal. In addition, usage fluctuates unpredictably. This makes it necessary to maintain a substantial inventory of forms in the supply line at all times. This includes supplies owned by both the Government and the public. Reprinting of the form cannot be reliably scheduled to coincide with an OMB approval expiration date. This form may be privately printed by users at their own expense. Some businesses print complex and expensive marginally punched continuous versions, at their expense, for use in their computers. The form may be printed by commercial printers and stocked for sale. In such cases, printing the expiration date on the form could result in extra costs to the users.

Not printing the expiration date on the form(s) will also avoid confusion among taxpayers who may have identical forms with different expiration dates in their possession.

For the above reasons we request authorization to omit printing the expiration date on the form(s) in this package.

We are requesting OMB approval for continued use of the prior version of the form(s) in this clearance package, so that late filers will have the previous versions available to them in future years.

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.