

SUPPORTING STATEMENT
Internal Revenue Service
TD 8746 - Amortizable Bond Premium
OMB No. 1545-1491

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Treasury Regulations 1.171-1 through 1.171-4 address the tax treatment of bond premium. In general, Treasury Decision 8746, states bond premium arises when a holder acquires a bond for more than the stated principal amount of the bond. Similarly, bond issuance premium generally arises when an issuer issues a bond for more than its stated principal amount. The holder's treatment of bond premium is addressed in the regulations under Code section 171 and the issuer's treatment of bond issuance premium is addressed in the regulations under Code section 163. Bond premium is amortized as an offset to interest income, and bond issuance premium is amortized as an offset to interest expense.

Under section 171(b), the amortization of bond premium on a taxable bond is elective. Once made, the election applies to all bonds held by the taxpayer and can only be revoked with the consent of the Commissioner.

Under regulation section §1.174-4(a)(1), a holder makes the election to amortize bond premium by offsetting interest income with bond premium in the holder's timely filed federal income tax return for the first taxable year to which the holder desires the election to apply. This section also provides that the holder should attach to the return a statement that the holder is making the election under this section. This information is necessary for the IRS to determine whether a holder of a bond has elected to amortize bond premium.

2. USE OF DATA

The requirement for the information from Treasury Regulations 1.171-1 through 1.171-4 is required by the Internal Revenue Service to monitor compliance with the federal tax rules for amortizing bond premium.

3. 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. IRS intends to offer electronic filing to the extent it is practicable however in this case it isn't practicable because of the evaluative nature of the determination.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

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

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

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

A less frequent collection of the information would not enable the Internal Revenue Service (IRS) to monitor compliance with the federal tax rules for amortizing bond premium.

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

In response to the Federal Register notice dated October 12, 2017, (82 FR 47604), we received no comments during the comment period regarding TD 8746.

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

There is no sensitive personally identifiable information (PII) in this collection.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Under §1.171-4(a)(1), a holder makes the election to amortize bond premium in the holder's timely filed income tax return for the first taxable year to which the holder desires the election to apply. This section also provides that the holder should attach to the return a statement that the holder is making the election under this section. We estimate 5,000 taxpayers will be affected by this requirement and that it will take approximately 0.5 hours to prepare this statement. The burden for the requirement is approximately 2,500 hours.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
1.171-4	Election attachment to return	5000	1	5000	.5	2500
Totals				5000		2500

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

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

15. REASONS FOR CHANGE IN BURDEN

Under §1.171-4(a)(1), a holder makes the election to amortize bond premium in the holder's timely filed income tax return for the first taxable year to which the holder desires the election to apply. The primary change is to remove the material relating to the automatic consent accounting method change in sections 1.163-13(h)(2) and 1.171-5(c)(2)—this material no longer applies to any taxpayer and reduces the number of respondents by 5000 resulting in a reduction of 5000 hours in annual burden. This section also provides that the holder should attach to the return a statement that the holder is making the election under this section. We estimate 5,000 taxpayers will be affected by this requirement and that it will take approximately 0.5 hours to prepare this statement. The burden for the requirement is approximately 2,500 hours.

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	5,000	-5,000	0	0	0	10,000
Annual Time Burden (Hr)	2,500	-5,000	0	0	0	7,500

We are also 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

IRS believes 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

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.