

**SUPPORTING STATEMENT
Internal Revenue Service
Sales of Business Property
Form 4797
OMB Number 1545-0184**

CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1231 of the Internal Revenue Code provides that if the aggregate of certain sales of property, other than capital assets, result in a loss, they must be deducted in full. For tax years beginning after 12-31-1984, the net section 1231 gain for any tax year shall be treated as ordinary income to the extent of the non-recaptured net section 1231 losses for the 5 preceding tax years beginning after 12-31-1981. Sections 1245, 1250, 1252, and 1254 provide that a portion of certain property sold at a gain is taxable in full rather than at capital gain rates. Section 1255 provides that if certain tax free payments received are subsequently sold, part of the sale is taxable as ordinary income.

Section 179 provides that if section 1245 property is disposed of, section 179 expenses are treated as a depreciation deduction for purposes of section 1245 recapture rules. Section 291 provides that corporations that sell section 1250 property must include 20% of the excess (if any) of the amount which would be treated as ordinary income under section 1250. Section 48(g)(5) provides that for purposes of sections 1245 and 1250, 50% of the investment tax credit downward basis adjustment under section 48 (g)(1) must be treated as a deduction for depreciation.

Form 4797 is needed to assure that the taxpayer is complying with these provisions of the law.

USE OF DATA

The information collection obtained from Form 4797 is used by IRS to verify that the proper amount of gains and losses are reported for sales and exchanges of property, depreciation and amortization costs and involuntary conversions and recaptures on trade or business property.

USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The IRS is currently offering electronic filing of Form 4797.

EFFORTS TO IDENTIFY DUPLICATION

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

METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There is no burden on small businesses or other small entities under this clearance, as burden for businesses is being reported under 1545-0123.

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

The information required is needed to verify compliance with Section 1231 and 268 of the Internal Revenue Code of the Treasury Regulations. A less frequent collection of taxes and tax information could adversely affect the government's effectiveness and would reduce the oversight of the public in ensuring compliance with Internal Revenue Code and hinder the IRS from meeting its mission.

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 November 22, 2017 (82 FR 55715), we received no comments during the comment period regarding these regulations.

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 <https://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.

This is an attachment to the Federal tax return. The Privacy Act statement associated with this Form is listed in the Federal tax return instructions.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Burden estimates for individual filers are being reported under 1545-0074 and for business filers under 1545-0123. The burden estimates being reported under 1545-0184 (below) are for all other filers.

Form	Description	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
4797	Sales of Business Property	325,000	1	325,000	50.63	16,454,750
		325,000	1	325,000		16,454,750

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

There have been no changes to the form that would affect burden. However, the agency has updated the estimated number of responses, based on its most recent data and creation of OMB Control Number's 1545-0074 and 1545-0123. All business filer estimates (including the worksheet burden) are being reported under 1545-0123, individual filing estimates under 1545-0074, and all other filers are being reported under this control number (1545-0184).

	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 for this IC	325,000	0	0	-1,668,957	0	1,993,957
Annual IC Time Burden (Hours)	16,454,750	0	0	-84,178,498	0	100,633,248

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 form and/or 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.