

SUPPORTING STATEMENT
Internal Revenue Service
Certain Returned Magazines, Paperbacks or Records
TD 8426 (final)
OMB Control No. 1545-0879

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 458 was added to the Code by section 372 of the Revenue Act of 1978. In general, section 458 provides that an accrual method taxpayer may elect to exclude from gross income amounts attributable to the qualified sale of magazines, paperbacks, or records returned within a certain time after the close of the taxable year. The final regulations, consistent with the proposed rules, provide that, in addition to physical return of the merchandise to the taxpayer, physical return of some portion of the merchandise shall constitute evidence of a return if such return is understood to mean that the merchandise has not been and will not be resold. A taxpayer who receives physical evidence of the returned merchandise may, in lieu of retaining that physical evidence, retain documentary evidence that describes the quantity of items returned and an indication that the items were returned before the close of the merchandise return period.

2. USE OF DATA

The recordkeeping will be performed both by persons who choose to provide documentary evidence of the return, rather than physical evidence of the return, and by persons who receive physical evidence of the return and choose to retain documentary evidence in lieu of retaining physical evidence of the return. Both types of documentary evidence will be used to substantiate the quantity of merchandise returned within the applicable merchandise return period. Taxpayers who either return the physical merchandise, or retain physical evidence of the return are not also required to prepare documentary evidence of the return.

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 has no plans to offer electronic enabling because this is record keeping requirement. .

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. We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER

SMALL ENTITIES

There is no burden on small businesses or entities by this collection due to the inapplicability of the authorizing statute to this type of entity.

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

Consequences of less frequent collection of recordkeeping by both persons who choose to provide documentary evidence of the return, rather than physical evidence of the return, and by persons who receive physical evidence of the return and choose to retain documentary evidence in lieu of retaining physical evidence of the return would result in the IRS being unable to meet its mission. The IRS would be unable to establish documentary evidence to substantiate the quantity of merchandise returned within the applicable merchandise return period.

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 TD 8426.

We received no comments during the comment period in response to the *Federal Register* notice dated September 29, 2017 (82 FR 45675).

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 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, IRS 34.037 - IRS Audit Trail and Security Records System. 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.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in these final regulations to be as follows: Section 1.458-1(d) requires that documentary evidence be recorded to substantiate the quantity of merchandise returned within the applicable merchandise return period. We estimate that 19,500 persons may choose to record this information. It will take 25 minutes to do so and the annual burden will be approximately 8,125 hours. The retention period will be three years.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
§1.458-1(d)	TD 8426	19,500	1	19,500	.42	8,125
Totals				19,500		8,125

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 is no change in the paperwork burden previously approved by OMB. We are making this submission for renewal purposes only.

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 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 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.