

SUPPORTING STATEMENT
Internal Revenue Service
Changes in Periods of Accounting
Revenue Procedure 2006-45 (modified and clarified by 2007-64), 2006-46, and
2002-39 (modified by 2003-79)
OMB Control Number 1545-1786

1920. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 441 and § 1.441-1(a) of the income tax regulations provide that taxable income must be computed on the basis of the taxpayer's *taxable year*. Section 441 and § 1.441-1(b) of the regulations define and describe the different annual accounting periods that may constitute the taxpayer's taxable year. Section 442 and § 1.442-1 (a) of the regulations provides that if the taxpayer wants to change its annual accounting period, the taxpayer must generally obtain the advance consent of the Commissioner. Section 1.442-1(b) provides that, in order to adopt, change, or retain an annual accounting period, the taxpayer must generally file an application on Form 1128, *Application to Adopt, Change, or Retain a Tax Year*, with the Commissioner within such time and in such manner as is provided in administrative procedures published by the Commissioner.

Three (3) sufficiently related revenue procedures are included in this Paperwork Reduction Act submission (Revenue Procedure 2006-45 (modified and clarified by 2007-64), 2006-46, and 2003-79). The three (3) revenue procedures provide the comprehensive administrative rules and guidance for affected taxpayers adopting, changing, or retaining annual accounting periods, for federal income tax purposes. (Each revenue procedure and burden is explained in more detail below. See number 12).

In order to determine whether a taxpayer has properly adopted, changed to, or retained an annual accounting period, certain information regarding the taxpayer's qualification for and use of the requested annual accounting period is required. The revenue procedures request the information necessary to make that determination when the information is not otherwise available.

1921. USE OF DATA

The information that is the subject of this submission will be used by the Internal Revenue Service (IRS) national office and/or Service Centers to determine whether the taxpayer is properly adopting, changing, or retaining a permitted annual accounting period.

1922. 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. There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission because of the evaluative nature of the determination.

1923. EFFORTS TO IDENTIFY DUPLICATION

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

1924. 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

The information required is needed to verify compliance with Section 441 and 442 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 December 28, 2017 (82 FR 61668), 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: Treas/IRS 24.046 BMF and Treas/IRS 34.047 Audit trail and security records system. The Internal Revenue Service PIA's 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 attachment is listed in the Federal tax return instructions.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Revenue Procedure 2006-45

Rev. Proc. 2006-45 clarified, and modified by Rev. Proc. 2007-64, which clarified, modified, amplified and superseded Rev. Proc. 2002-37, and provides the exclusive procedure for corporations within its scope to obtain automatic approval of the Commissioner to change their annual accounting periods under §442 and the Income Tax Regulations there under.

The collections of information in this revenue procedure are found in section 7. This information is necessary and will be used to determine whether the taxpayer properly obtained automatic approval to adopt, change, or retain its annual accounting period. The collections of information are required for the taxpayer to obtain automatic approval to adopt, change, or retain its annual accounting period. The likely respondents are corporations.

The estimated total annual reporting burden for the requirements contained in section 7 of this revenue procedure will be reflected in the burden estimates for Form 1128 (OMB Control Number 1545-0134).

Revenue Procedure 2006-46

Rev. Proc. 2006-46 clarified, modified, amplified and superseded Rev. Proc. 2002-38, and provides the exclusive procedure under which a partnership, S corporation, electing S corporation, or personal service corporation (PSC), a trust within its scope may obtain automatic approval under § 442 and the regulations there under to adopt, change, or retain an annual accounting period.

The collections of information in this revenue procedure are also found in section 7. This information is necessary and will be used to determine whether the taxpayer properly obtained automatic approval to adopt, change, or retain its annual accounting period. The collections of information are required for the taxpayer to obtain automatic approval to adopt, change, or retain its annual accounting period. The likely respondents are the following: partnerships, S corporations, electing S corporations, personal service corporations (PSCs), and trusts.

The estimated total annual reporting burden for the requirements contained in section 7 of this revenue procedure will be reflected in the burden estimates for Form 1128 (OMB Control Number 1545-0134) and Form 2553 (OMB Control Number 1545-0123), and are not the subject of this submission.

Revenue Procedure 2002-39

Rev. Proc. 2002-39 provides the general procedures for taxpayers not qualifying to use an “automatic” change revenue procedure, to establish a business purpose and obtain the approval of the Commissioner to adopt, change, or retain an annual accounting period. Such approval is generally obtained through application to the national office in the form of a letter ruling request.

The collections of information in this revenue procedure are found in sections 6, 7, and 10. This information is necessary and will be used to determine which terms, conditions, and adjustments will be necessary to effect the adoption, change or retention of an applicant’s annual accounting period. The collections of information are required for the taxpayer to obtain approval to adopt, change, or retain an annual accounting period. The likely respondents are the following: individuals, corporations, associations, trusts, estates, partnerships, farms, business or other for-profit organizations, non-profit organizations, and small businesses or organizations.

Rev. Proc. 2002-39 contains some additional reporting the burden of which is not reflected in regulations or forms burden estimates, and for which approval is also sought herein. These collections of information are found in sections 6 and 7 of the document.

Under section 6.01(6) of Rev. Proc. 2002-39, a taxpayer is required to provide certain financial information relating to net operating losses and capital losses, and any credits generated in the short period required to effect a change in annual accounting period. The estimated total annual reporting burden for this requirement of the revenue procedure is 125 hours: the estimated annual burden per respondent is 15 minutes; the estimated number of respondents is 500; and the estimated frequency of response is once.

Under section 6.01(7) of Rev. Proc. 2002-39, relating to establishing a business purpose for a requested annual accounting period, a taxpayer is required to provide certain additional financial information relating to substantial distortions of income attendant a change in accounting period. The estimated total annual reporting burden for this requirement of the revenue procedure is 400 hours: the estimated annual burden per respondent is 2 hours; the estimated number of respondents is 200; and the estimated frequency of response is once.

Under section 7.04 of Rev. Proc. 2002-39, a taxpayer is required to attach a statement to Form 2553, to request a conference of right in certain circumstances. The estimated total annual reporting burden for this requirement of the revenue procedure is 25 hours: the estimated annual burden per respondent is 15 minutes; the estimated number of respondents is 100; and the estimated frequency of response is once.

Except for the burdens contained in sections 6.01(6), 6.01(7), and 7.04 (Forms 2553 only), above, we estimate that the total annual reporting burden for the requirements contained in sections 6 and 7 of this revenue procedure will be reflected in the burden estimates for Form 1128 (OMB Control Number 1545-0134) and Form 2553 (OMB Control Number 1545-0123).

The burdens contained in sections 10 of Rev. Proc 2002-39 relate to a “Transition Rule” that allows a taxpayer, upon request to the IRS, to apply the terms and conditions of the new revenue procedure to a pending application.

The estimated total annual reporting and burden for the requirement contained in section 10 of Rev. Proc. 2002-39 is 50 hours: the estimated annual burden per respondent is 30 minutes; the estimated number of respondents is 100; and the estimated frequency of response is once.

Thus, the cumulative burden for which approval is requested under this submission is 600 hours under Rev. Proc. 2002-39.

Revenue Procedure	Description	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
Section 6.01(6) of Rev. Proc. 2002-39	financial information relating to net operating losses and capital losses, and any credits generated in the short period required to effect a change in annual accounting period	500	1	500	.25	125
Section 6.01(7) of Rev. Proc. 2002-39	additional financial information relating to substantial distortions of income attendant a change in accounting period	200	1	200	2	400
Section 7.04 of Rev. Proc. 2002-39	a statement to Form 2553, to request a conference of right in certain circumstances	100	1	100	.25	25
Section 10 of Rev. Proc. 2002-39	request to apply the terms and conditions of the new revenue procedure to a pending application	100	1	100	.50	50
		900		900		600

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 estimated time per respondent. There is however, a change in the number of respondents as the agency discovered an error in addition. Total number of

respondents is 900 versus 800. In addition, 100 hours has been removed, as burden hours for Revenue Procedure 2006-45 and Revenue Procedure 2006-46 were erroneously figured in the total burden. The estimated total annual reporting burden for both revenue procedures is reflected in the burden estimates for Form 1128 and/or Form 2553 (as explained in #12 above).

	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	900	0	100	0	0	800
Annual Time Burden (Hr)	600	0	-100	0	0	700

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.