

Internal Revenue Service
Supporting Statement
1545-0177
Form 4684
Casualties and Thefts

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code section 165 and sections 1.165-1 through 1.165-11 of the regulations allow a deduction for losses due to casualties or thefts. Section A of Form 4684 provides the computation for casualty or theft gains or losses from property not used in a trade or business. Section B of Form 4684 provides the computation of gains or losses involving business or income producing property. In cases where gains exceed losses, the net gain is subject to IRC section 1231 and regulations sections 1.1231-1 and 1.1231-2. Section C of Form 4684 incorporates Appendix A from Revenue Procedure 2009-20. It is used to figure a theft loss deduction from a Ponzi-Type investment scheme if the taxpayer qualifies to use Revenue Procedure 2009-20 and chooses to follow the procedures in the guidance.

2. USE OF DATA

Form 4684 provides the IRS with information to verify a taxpayer's casualty or theft loss computation. The addition of Section C provides the IRS with specific information used to verify that requirements are met when theft loss deduction is claimed due to a Ponzi-type investment scheme.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We are currently offering electronic filing for Form 4684.

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

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

A less frequent collection would not allow the IRS to verify a taxpayer's casualty and theft computation and therefore not allow the IRS to meet 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

We received no comments during the comment period in response to the **Federal Register** notice (83 FR 23339), dated May 18, 2018, regarding Form 4684.

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. Individual reporting is covered under OMB No. 1545-0074.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

	Number of Responses	Time per Response	Total Hours
Form 4684	213,867	6.05	1,293,895*
			* rounding difference

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

The following regulations impose no additional burden.

1.165-1 through 11

1.1231-1 and 2

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

The Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

Product	Aggregate Cost per Product (factor applied)		Printing and Distribution		Government Cost Estimate per Product
Form 4684	\$46,476	+	\$798	=	\$47,274
Form 4684 Instructions	\$7,746	+	\$632	=	\$8,378
Grand Total	\$54,222		\$1,430		\$55,652
Table costs are based on 2016 actuals obtained from IRS Chief Financial Office and Media and Publications					
* New product costs will be included in the next collection update.					

15. REASONS FOR CHANGE IN BURDEN

The Department has updated the burden associated with the ICR to reflect its most recent data on Form 4684 filings. We estimate 106,333 fewer filings which will decrease our estimated responses from 320,000 to 213,867. A decrease of 607,081 burden hours is due to this adjustment in agency estimate.

In Section A, the Agency added a check box for the Taxpayer to indicate if the loss is from a federally declared disaster and an entry line to write the FEMA disaster

declaration number. Individual casualty and theft losses will only be allowed for losses derived from federally declared disaster for tax years 2018-2025 per Public Law 115-97 sec. 11044(a). In Section B, Part II, the Agency deleted "employee property" references from lines 32 and 38b as well as column (b)(ii) since those losses can no longer be claimed for tax years 2018-2025 per Public Law 115-97 sec. 11045(a). The limitation of casualty and theft losses to losses derived from federally declared disaster areas and changes to the instructions will increase the estimated burden hours due to this program change by 70,576.11 from 1,223,320 to 1,293,896.

There is a net decrease in burden of 536,504.89 hours; 1,293,896 burden hours are requested.

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 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. EXCEPTION 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.