

SUPPORTING STATEMENT
Internal Revenue Service
Clear Reflection of Income in the Case of Hedging Transactions
OMB # 1545-1412

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

On October 20, 1993, the Service published in the Federal Register (58 FR 54077) a notice of proposed rulemaking (FI-54-93) relating to the accounting for business hedging transactions. This notice also contained proposed amendments to regulations under sections 446 and 461 of the Code. TD 8554 contains the final regulations relating to accounting for business hedging transactions.

These final regulations provide guidance to taxpayers regarding when gain or loss from common business hedging transactions is recognized for tax purposes. Paragraph (d) of §1.446-4 requires that the books and records maintained by a taxpayer disclose the method or methods used to account for different types of hedging transactions. The purpose of this rule is to ensure that the taxpayer has such records as are necessary to allow a Service examiner to determine whether the method of accounting used by the taxpayer for a transaction clearly reflects income.

2. USE OF DATA

Paragraph (d) of §1.446-4 requires that the books and records maintained by a taxpayer disclose the method or methods used to account for different types of hedging transactions. This recordkeeping requirement is required by the Internal Revenue Service to verify compliance with section 446 of the Internal Revenue Code. This information will be used to determine whether the amount of tax has been computed correctly. If such recordkeeping were not required, then the IRS would not be able to achieve these objectives.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

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

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 minimal to 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

This information will be used to determine whether the amount of tax has been computed correctly. If such recordkeeping were not required, then the IRS would not be able to achieve these objectives.

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

A notice of proposed rulemaking was published in the Federal Register on October 20, 1993 (58 FR 54077). A public hearing was held with respect to the notice of proposed rulemaking on January 19, 1994. All comments were considered in the drafting of the final regulations. The final regulations (TD 8554) were published in the Federal Register on July 18, 1994.

In response to the *Federal Register* notice dated June 19, 2018, (83 FR 28490), we received no comments during the comment period regarding TD 8554.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

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

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Paragraph (d) of §1.446-4 of the final regulations requires that the books and records maintained by a taxpayer disclose the method or methods used to account for different types of hedging transactions. We estimate that 100,000 businesses or other for-profit institutions will make the identification required under §1.446-4(d) of the regulation, with an estimated annual burden per record-keeper of .20 hour, with an estimated total annual recordkeeping burden of 20,000 hours.

OMB Collectio n	Authority	Form	Annual Responses	Hours per Response	Total Burden
IRS 1545- 1412	IRC 1.446-4	N/A	100,000	.20	20,000
	IRS TOTAL		100,000		20,000

Please continue to assign OMB number 1545-1412 to these regulations.

1.446-4

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our *Federal Register* notice dated June 19, 2018, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, 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

There are no start-up costs associated with this collection.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the burden previously approved by OMB.

This submission is being made for renewal purposes.

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 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 if 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.

