

**SUPPORTING STATEMENT
Internal Revenue Service (IRS)
LIFO Conformity Requirement
Revenue Procedures 98-46 and 97-44
OMB Number 1545-1559**

2400. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Sections 472(c) and (e)(2) of the Internal Revenue Code provide that a taxpayer may use the LIFO (Last-in first-out) inventory method for federal income tax purposes only if it has used no method other than LIFO in inventorying goods to ascertain its income, profit, or loss for the taxable year in a report or statement to owners or for credit purposes. When a taxpayer violates section 472(c) or (e)(2), the Commissioner may require the taxpayer to change to another inventory accounting method. These revenue procedures permit automobile dealers and medium - and heavy-duty truck dealers that violated the requirements of section 472(c) or (e)(2) to continue using the LIFO inventory method for federal income tax purposes.

2401. USE OF DATA

The information will be used by taxpayers to aid them in complying with the terms of the revenue procedure. The information will also be used by the Internal Revenue Service to verify taxpayers' compliance with the terms of the revenue procedure.

2402. 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. Due to the low volume of filers and information being submitted, electronic enabling is not feasible or cost effective.

2403. EFFORTS TO IDENTIFY DUPLICATION

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

2404. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

Small businesses should not be disadvantaged as the requirements are structured to request the least amount of information and still satisfy the requirements of the statute and the needs of the Service.

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

The information required is needed to verify compliance with Sections section 472(c) or (e)(2), 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 September 13, 2019 (84 FR 48384), 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

There is no personally identifiable information (PII) collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Section 5 of the Revenue Procedure 97-44 requires that an automobile dealer's application for relief under the revenue procedure include certain information regarding its inventory accounting method. We estimate that approximately 5,000 automobile dealers will apply for relief under the revenue procedure and that it will take approximately 20 hours to make this application. The total time estimate for automobile dealers to meet this reporting requirement is 100,000 hours.

Revenue Procedure 98-46 modifies Revenue Procedure 97-44 by allowing medium-and heavy-duty truck dealers to take advantage of the favorable relief provided in Revenue Procedure 97-44. The burden is reflected in the burden of Revenue Procedure 97-44.

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

Revenue Procedure	Description	# Respondents	# Responses Per Respondent	Total Annual Responses	Hours Per Response	Total Burden
97-44 modified by 98-46	LIFO Conformity Requirement	5,000	1	5,000	20	100,000
Totals		5,000	1	5,000	20	100,000

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 are no changes being made to the revenue procedure or burden estimates at this time.

	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	5,000	0	0	0	0	5,000
Annual IC Time Burden (Hours)	100,000	0	0	0	0	100,000

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

The 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. **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.