

1 SUPPORTING STATEMENT
Internal Revenue Service
Investment Interest Expense Deduction
(Form 4952)
OMB Control No. 1545-0191

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code section 163(d) provides a limitation on individuals, estates, or trusts who paid or accrued interest on investment indebtedness. Form 4952, Investment Interest Expense Deduction, is used to accumulate a taxpayer's interest from all sources and provides a line-by-line computation of the allowable deduction for investment interest.

2. USE OF DATA

The data gathered by the reporting requirements that Internal Revenue Code § 163(d) places on the individuals, estates or trusts who paid or accrued interest on investment indebtedness is used by the IRS to verify that the proper deduction is taken in accordance with the Internal Revenue Code.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We currently offer electronic filing for Form 4952.

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 affected by this collection, due to the inapplicability of the authorizing statute under section 163(d) and the needs of the Service.

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

Consequences of less frequent collection on federal programs or policy activities could result in the IRS being unable to properly verify that the proper deductions are taken for the investment interest expense deduction and would 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

In response to the *Federal Register* notice dated September 9, 2020, (85 FR 55739), we received no comments during the comment period regarding Form 4952.

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 "Individual Master File (IMF)" system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030--Customer Account Data Engine Individual Master File, formerly Individual Master File, and 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

Form 4952, Investment Interest Expense Deduction, is used to accumulate a taxpayer’s interest from all sources and provides a line-by-line computation of the allowable deduction for investment interest.

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRS § 163(d)	Form 4952	734,263	1	734,263	1.5	1,101,395
Totals				734,263		1,101,395

The following regulation imposes no additional burden. Please continue to assign OMB number 1545-0191 to this regulation.

1.163(d)-1

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

After consultation with various functions within the Service, IRS have determined that the cost of developing, printing, processing, distributing, and overhead for this form is \$43,275.

The estimated annualized cost to the Federal Government is based on a model that considers the following three 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 Federal Government estimated annualized cost per product.

The federal government estimated annualized cost is as follows:

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 4952	42,649	+	626	=	43,275
Grand Total	42,649	+	626	=	43,275
Table costs are based on 2019 actuals obtained from IRS Chief Financial Office and Media and Publications					
* New product costs will be updated in the next revision of this collection.					

15. REASONS FOR CHANGE IN BURDEN

Changes to the burden estimates of Form 4952 previously approved by OMB are due to the increase in filers based on the most recent filing data, from 137,064 responses to 734,263, and an increase in burden hours from 205,596 to 1,101,395. Data was provided by the office of Statistic of Income (SOI), Research, Applied Analytics & Statistics. Also, we are making this submission to renew the OMB approval.

	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	734,263	0	0	597,199	0	137.064

Annual Time Burden (Hr)	1,101,395	0	0	895,799	0	205,596
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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 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.