

SUPPORTING STATEMENT
Internal Revenue Service
Form 4684, Casualties and Thefts

OMB Control Number 1545-0177

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC), Section 165, Losses; there shall be allowed as a deduction any loss sustained during the taxable year and not compensated for by insurance. This section addresses the basis for determining the deduction amount and the limitation of losses. IRC Section 1231, Property used in a trade or business or business and involuntary conversions; provides guidance when Section 1231 gains exceed losses and when gains do not exceed losses, this will determine the treatment of the gains and losses for tax purposes.

Tax Cuts and Jobs Act (P.L. 115-97 (Dec. 22, 2017)), Section 11044(a) an individual, except as provided stated, any personal casualty loss which would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026, shall be allowed as a deduction only to the extent it is attributable to a Federally declared disaster. Section 11045(a) states no miscellaneous itemized deduction shall be allowed for any taxable year beginning after December 31, 2017 and before January 1, 2026.

Form 4684, is used by taxpayers to report gains and losses form casualties and thefts. Form 4684 includes four sections to address the various losses or gains: Section A is used to report casualties and thefts of property not used in a trade or business or for income-producing purposes (personal property); Section B is used for casualty or theft involving property used in a trade or business or for income producing purposes; Section C is used to claim a theft or loss deduction for a Ponzi-type investment scheme (each taxpayer must meet the claim conditions within Revenue Procedures 2009-20 and 2011-58); Section D is used to deduct a loss attributable to a federally declared disaster and that occurred in a federally declared disaster area in the tax year immediately preceding the tax year the loss was sustained.

2. USE OF DATA

Form 4684 provides the Internal Revenue Service (IRS) with information to verify a taxpayer's casualty or theft loss computation.

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

The IRS proactively works with both internal and external stakeholders to minimize the burden on small businesses, while maintaining tax compliance. The Agency also seeks input regarding the burden estimates from the public via notices and tax product instructions. Filers can file Form 4684 electronically, which further reduces any burden to small businesses.

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 thereby jeopardizing the IRS' ability to ensure accurate and timely compliance of the casualty or loss deduction.

1. 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).

2. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

The IRS received no comments during the comment period in response to the **Federal Register** notice (86 FR 51450), dated September 15, 2021, regarding Form 4684.

3. 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 IRS 24.046-Customer Account Data Engine Business Master File. 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

The individual filer burden is reported under 1545-0074. Below is the estimated burden for all other filers including estates and trusts, partnerships, and S corporations.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC §§165, 1231	Form 4684	213,867	1	213,867	6.05	1,293,895
Totals				213,867		1,293,895

The following regulations impose no additional burden. Please continue to assign OMB number 1545-0177 to these regulations.

1.165-1 thru 1.165-11
1.1231-1
1.1231-2

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.

15. **REASONS FOR CHANGE IN BURDEN**

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form 4684	\$68,545	+	\$689	=	\$69,234
Form 4684 Instructions	\$11,424	+	\$262	=	\$11,686
Grand Total	\$79,969		\$951		\$80,920

Table costs are based on 2021 actuals obtained from IRS Chief Financial Office and Media and Publications

There are no changes to the form or response/respondent estimates that would affect burden at this time.

16. **PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

There are no plans for tabulation, statistical analysis, and publication.

1. **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.

2. **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.