

SUPPORTING STATEMENT  
Internal Revenue Service  
Clear Reflection of Income in the Case of Hedging Transactions  
TD 8554  
OMB Control No. 1545-1412

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

On October 20, 1993, the Internal Revenue Service (IRS) 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 Internal Revenue Code (IRC). 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 an IRS 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 IRS to verify compliance with section 446 of the IRC. 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

There are no plans to provide electronic filing because electronic filing is not appropriate for the collection of information in this submission.

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 collection of information requirement for this collection under section 446 of the IRC will have minimal to no significant economic impact on a substantial number of small

businesses or entities.

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

In response to the *Federal Register* notice dated February 04, 2022, (87 FR 6649), 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.

Burden Estimate as follows:

OMB Collection	Authority	Document	Annual Responses	Hours per Response	Total Burden
1545-1412	1.446-4	T.D. 8554	100,000	.20	20,000
	TOTAL		100,000		20,000

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is 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 is no estimated annualized cost to the federal government associated with this collection.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. This submission is being made for renewal purposes only.

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 IRS 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.