

SUPPORTING STATEMENT
Internal Revenue Service
Form 3115,
Application for Change in Accounting Method
OMB Control Number 1545-2070

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 446(e) requires taxpayers to secure the consent of the IRS before changing their method of accounting for computing taxable income. Treasury Regulations section 1.446-1(e)(3) requires taxpayers to file Form 3115 to obtain this consent.

Form 3115 is used by taxpayers to request a change in either an overall method of accounting or the accounting treatment of any item.

2. USE OF DATA

The information is used by the IRS to determine if the requesting taxpayer has met the requirements of Subtitle A, Chapter 1 of the Internal Revenue Code and is able to change the accounting method.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of Form 3115 is currently available.

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 does not have a significant impact on a substantial number of small entities. Small entities also have a reduced Form 3115 filing requirement, which further minimizes the burden.

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

A less frequent collection on federal programs would not allow the IRS to determine if a change in accounting is allowable or appropriate, resulting in the inability of the IRS to meet its mission. It would also limit the taxpayer's right to request the change as provided under section 446(e).

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 May 14, 2024, (89 FR 42056), the IRS received no comments during the comment period regarding Form 3115.

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 U.S.C. 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 Treasury/IRS 22.062 - Electronic Filing Records, Treasury/IRS 24.030 - Customer Account Data Engine (CADE) Individual Master File, Treasury/IRS 24.046 - CADE Business Master File (BMF), and Treasury/IRS 34.037 - Audit Trail and Security Records. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 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

Taxpayers use Form 3115 to request a change in either an overall method of accounting or the accounting treatment of any item as required by IRC section 446(e).

The estimated burdens for tax-exempt, individual, and business filers are included in the estimates for OMB control numbers 1545-0047, 1545-0074, and 1545-0123. This collection includes the estimated burden for estates and trusts filing Form 3115. The IRS anticipates that there will be approximately 183 respondents annually, with a total estimated burden of 18,298 hours annually. The estimated burden is shown below.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC 446(e)	Form 3115	183	1	183	99.99	18,298
Totals		183		183		18,298

The following regulations impose no additional burden. Please continue to assign OMB number 1545-2070 to these regulations.

1.59A-3	1.263A-1	1.458-2
1.167(a)-11	1.263A-2	1.460-1
1.167(a)-12	1.280F-6	1.471-11
1.168(i)-4	1.381(c)(4)-1	1.472-1
1.168(i)-8	1.381(c)(5)-1	1.472-2
1.174-3	1.381(c)(6)-1	1.472-5
1.174-4	1.448-1	1.472-8
1.175-6	1.448-3	1.481-4
1.181-2	1.455-2	1.761-2

1.861-18
1.905-1

1.964-1
1.965-4

1.1251-2
601.204

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From the *Federal Register* notice dated May 14, 2024, no comments on the estimates of capital or start-up costs and cost operation, maintenance, and purchase of services to provide were received. However, to ensure more accuracy and consistency across its information collections, the IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, the 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 startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. These costs do not include any activities such as taxpayer assistance and enforcement.

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.

Product	Aggregate Cost per Product (factor applied)		Printing and Distribution		Government Cost Estimate per Product
Form 3115	\$22,499	+	\$0	=	\$22,499
Form 3115 Instructions	\$12,857	+	\$0	=	\$12,857
Grand Total	\$35,356	+	\$0	=	\$35,356
Table costs are based on 2023 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

Changes to the burden estimates of Form 3115 are due to the decrease in the number of filers (from 190 to 183) based on the most recent filing data and to avoid duplication of the burden for tax exempt filers (accounted for in OMB control number 1545-0047). This updated filing data decreases the total burden hours from 18,998 to 18,298. The IRS is making this submission for renewal purposes.

	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	183	0	0	-7	0	190
Annual Time Burden (Hr)	18,298	0	0	-700	0	18,998

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 IRS 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.