Supporting Statement

Internal Revenue Service
Special Rules for Long-Term Contracts Under Section 460
TD 8775, TD 8929, TD 8995, and TD 9137
OMB Control Number 1545-1732

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) section 460 and its regulations provide rules that require taxpayers to determine taxable income from a long-term contract using the percentage-of-completion (PCM) method and pay, or be entitled to receive, interest computed using the look-back method. IRC section 460(b)(6) allows taxpayers to elect not to apply the look-back method in de minimis cases.

Treasury Decision (TD) 8775 added Treasury Regulations section 1.460-6(j), providing taxpayers with the requirements to make this election by attaching a statement to their tax return.

TD 8929 contains final regulations describing how income from a long-term contract must be accounted for under IRC section 460. The document added Treasury Regulations section 1.460-1(e)(4), requiring taxpayers to attach a statement with specific information to their income tax return if they sever an agreement or aggregate two or more agreements during the taxable year.

TD 8995, as amended by TD 9137, added Treasury Regulations section 1.460-6(g)(3)(ii)(D) providing rules concerning a mid-contract change in taxpayer of a contract accounted for under a long-term contract method of accounting. The regulation requires the previous taxpayer to provide specific information to the new taxpayer to help the new taxpayer apply the look-back method when the income from a long-term contract has been previously reported by another taxpayer.

Form 8697 is used by taxpayers to compute interest due or to be refunded under the look-back method of IRC section 460(b)(2) for certain long-term contracts accounted for under the percentage-of-completion method (PCM) or the percentage-of-completion capitalized cost method. The information collection taxpayer burden attributable to Form 8697 is included in OMB Control Number 1545-0074, 1545-0092, and 1545-0123.

2. USE OF DATA

The information will enable taxpayers to assume the obligation to account for the income from long-term contracts following certain transactions. The IRS will use the information to verify that taxpayers are in compliance with IRC section 460 and determine if the interest has been calculated correctly.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic filing of the statement to be attachment of the income return 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 requirement will not have a significant economic impact on a substantial number of small entities.

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 verify the correct amount of interest claimed on the tax return, resulting in the inability of the IRS to meet its mission. It would also limit the taxpayer's right to claim a refund of interest as provided by law.

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

We received no comments during the comment period in response to the Federal Register notice (91 FR 3628), dated January 27, 2026.

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, and a Privacy Act System of Records notice (SORN) has been issued for these systems 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); 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

IRC section 460 and its regulations require taxpayers to disclose information. Form 8697 is used by taxpayers to figure the interest due or to be refunded under the look-back method of IRC section 460(b)(2).

The estimated burdens for individuals, businesses, trusts and estates filing Form 8697 are included in the estimates for OMB control numbers 1545-0074, 1545-0123, and 1545-0092.

This collection also includes the burden for all taxpayers attaching statements or disclosing information to a third party as required by Treasury Regulations sections 1.460-1(e)(4), 1.460-6(g)(3)(ii)(D), and 1.460-6(j).

The burden estimates are as follows.

Authority	Description	# of Respondents	# of Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 460	TD 8775 - Treas. Reg. 1.460-6(j)	20,000	1	20,000	.2	4,000
IRC 460	TD 8929 - Treas. Reg. 1.460-1(e)(4)	50,000	1	50,000	.25	12,500
IRC 460	TD 8995/9137 - Treas. Reg. 1.460-6(g)(3)(ii)(D)	5,000	1	5,000	2	10,000
Totals		**75,000**		**75,000**		**26,500**

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice, dated January 27, 2026, no public comments on the estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information were received. The IRS does not anticipate any annual cost burden outside of hourly burden to compile information kept as part of customary and usual business practices to complete the applications.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There are no annualized costs to the Federal government outside of regular agency activities such as taxpayer assistance and enforcement.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. However, the estimated number of responses for Form 8697 was updated to eliminate duplication of the burden associated with trust and estate respondents captured under OMB control numbers 1545-0092. This reduces the total burden by 10 responses annually and 168 hours annually due to Agency Estimate.

	Total Requested	**Change Due to New Statute**	**Change Due to Agency Discretion**	**Change Due to Adjustment in Estimate**	**Change Due to Potential Violation of the PRA**	**Previously Approved**
Annual Number of Responses	75,000	0	0	-10	0	75,010
Annual Time Burden	26,500	0	0	-168	0	26,668

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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

The IRS believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the collections expire 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 for this collection.