SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Capitalization of Interest
OMB No. **1545-1265**

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The uniform capitalization rules of section 263A (26 U.S.C. 263A) generally require the capitalization of certain costs relating to the acquisition of property for resale or the production of property. Interest is a cost subject to section 263A. Section 263A (f) provides special rules for capitalizing interest.

In general, section 263A (f) limits the capitalization of interest to interest that is paid or incurred during the production period of certain property (referred to as designated property). Designated property includes all real property and certain tangible personal property. The amount of interest required to be capitalized is determined using the avoided cost method. Under the avoided cost method, interest on any indebtedness directly attributable to production expenditures for designated property (traced debt) is capitalized first.

The regulations require taxpayers to maintain contemporaneous written records supporting certain estimates and, in limited circumstances, to submit requests for a private letter ruling to segregate activities. Requests for consent to change accounting methods are submitted on Form 3115 and are accounted for under separate OMB control numbers.

2. USE OF DATA

The records required to be maintained will be used in auditing taxpayers. The information reported will be used to evaluate the appropriateness of granting consent to change methods of accounting.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We have no plans to offer electronic filing because this is mainly a record keeping requirement, and there is a low number of filers for the reporting requirement.

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

Section 263A (f) limits the capitalization of interest to interest that is paid or incurred during the production period of certain property (referred to as designated property).

Failure to collect the information will prevent taxpayers from complying with the capitalization requirements of section 263A and hinder the IRS's ability to verify compliance during examinations.

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 8057), dated February 19, 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 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

This collection does not require respondents to submit sensitive personal information as part of the information collection.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

§1.263A-8(b)(2)(iii) requires taxpayers to maintain records supporting their estimates of the production period and total cost of tangible personal property to determine if interest capitalization is required. It is estimated to require 14 minutes of annual recordkeeping by an estimated 500,000 respondents, contributing to the total estimated recordkeeping burden of 116,667 hours.

§1.263A-9(d)(1), §1.263A-9(e)(1), §.263A-9(f)(1)(ii), §1.263A-9(g)(2)(iv)(C), and §1.263A-9(g)(3) (iv) require information in order to request the Commissioner's consent to change methods of accounting for the capitalization of interest. The burden estimate for this requirement is reflected in the burden of Form 3115 (OMB numbers 1545-0074 and 1545-0123).

§1.263A-9(g)(3)(iv) requires taxpayers to request a ruling to segregate activities in calculating the amount of interest required to be capitalized. It is estimated 50 respondents to make one response each, which is estimated to take 2 hours to prepare, for a total estimated reporting burden of 100 hours.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
§1.263A-8(b)(2)(iii)	Support for estimates for requirement of interest capitalization	500,000	1	500,000	.2333	116,667
§1.263A-9(g)(3)(iv)	Request a ruling to segregate activities	50	1	50	2	100
Totals				**500,050**		**116,767**

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice dated March 16, 2023, no public comments were received on the estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. As a result, estimates of these cost burdens are presumed to be nominal.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no annualized cost to the federal government.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

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 collections expire 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.