

SUPPORTING STATEMENT
(IA-62-91)

. **CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Certain costs incurred in producing property or acquiring and holding property for resale are to be allocated to such property. In accordance with the temporary regulations (T.D. 8131, 52 FR 10052 and T.D. 8148, 52 FR 29375), and final regulations (T.D. 8482, 58 FR 42198), a taxpayer must report its change in method of accounting and any calculation of an adjustment that may arise from such change. This information will better enable the Internal Revenue Service to audit the taxpayer's change in method of accounting to comply with the requirements of section 263A and the regulations there under (26 C.F.R. 1.263A).

. **USE OF DATA**

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

. **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**

We have attempted to eliminate duplication within the agency wherever possible.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

We have attempted to reduce the recordkeeping burden imposed on certain small taxpayers who satisfy a maximum gross receipts test by exempting them from the requirements.

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

Not applicable.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

Not applicable.

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

The Notice of Proposed Rulemaking and temporary regulations were published in the **Federal Register** on March 30, 1987. Written comments were received in response to the notice of proposed rulemaking. A hearing was held on December 7, 1987. Final regulations (T.D. 8482) were published with revisions in the **Federal Register** on August 9, 1993 (58 FR 42198).

In response to the **Federal Register Notice** dated **February 4, 2008 (73 FR 6559)**, we received no comments during the comment period regarding IA-62-91.

9. **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

10. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and return information are confidential under 26 USC 6103.

11. **JUSTIFICATION OF SENSITIVE QUESTIONS**

Not applicable.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

Requirements contained in IA-62-91. Sections 1.263A2(b)(4)(iii)(A), 1.263A-2(b)(4)(iii)(B), 1.263A-3(d)(4)(iii)(A),

and 1.263A-3(d)(4)(iii)(B) of the final regulations contain reporting and recordkeeping requirements for taxpayers electing certain simplified allocation methods. Specifically, taxpayers electing either the simplified production method or the simplified resale method together with the historic absorption ratio must attach a statement to their Federal income tax return and maintain records to support the historic absorption ratio.

It is estimated that 5,000 taxpayers are expected to be affected by the reporting requirement in section 1.263A-2(b)(4)(iii)(A) and that it will take approximately one hour to provide the additional information in the taxable year in which the election is made. Accordingly, the estimated reporting burden is 5,000 hours.

It is estimated that 5,000 taxpayers are expected to be affected by the reporting requirement in section 1.263A-3(d)(4)(iii)(A) and that it will take approximately one hour to provide the additional information in the taxable year in which the election is made. Accordingly, the estimated reporting burden is 5,000 hours.

It is estimated that 5,000 taxpayers are expected to be affected by the recordkeeping requirement in section 1.263A-2(b)(4)(iii)(B) and that it will take approximately nine hours to provide the additional information in the taxable year in which the election is made. Accordingly, the estimated recordkeeping burden is 45,000 hours.

It is estimated that 5,000 taxpayers are expected to be affected by the recordkeeping requirement in section 1.263A-3(d)(4)(iii)(B) and that it will take approximately nine hours to provide the additional information in the taxable year in which the election is made. Accordingly, the estimated recordkeeping burden is 45,000 hours.

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register Notice** dated **February 4, 2008 (73 FR 6559)**, requested public comments on

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. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

14. **ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT**

Not applicable.

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**

Not applicable.

17. **REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE**

We believe 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 Service 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 ON OMB FORM 83-I**

Not applicable.

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.