

**SUPPORTING STATEMENT**  
**(Revenue Procedure 2006-45, 2006-46, and 2002-39)**

**1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION**

Section 441 and § 1.441-1(a) of the income tax regulations provide that taxable income must be computed on the basis of the taxpayer's *taxable year*. Section 441 and § 1.441-1(b) of the regulations define and describe the different annual accounting periods that may constitute the taxpayer's taxable year. Section 442 and § 1.442-1 (a) of the regulations provides that if the taxpayer wants to change its annual accounting period, the taxpayer must generally obtain the advance consent of the Commissioner. Section 1.442-1(b) provides that, in order to adopt, change, or retain an annual accounting period, the taxpayer must generally file an application on Form 1128, *Application to Adopt, Change, or Retain a Tax Year*, with the Commissioner within such time and in such manner as is provided in administrative procedures published by the Commissioner.

Three (3) sufficiently related revenue procedures are included in this Paperwork Reduction Act submission. The three (3) revenue procedures provide the comprehensive administrative rules and guidance for affected taxpayers adopting, changing, or retaining annual accounting periods, for federal income tax purposes.

In order to determine whether a taxpayer has properly adopted, changed to, or retained an annual accounting period, certain information regarding the taxpayer's qualification for and use of the requested annual accounting period is required. The revenue procedures request the information necessary to make that determination when the information is not otherwise available.

**2. USE OF DATA**

The information that is the subject of this submission will be used by the Internal Revenue Service (IRS) national office and/or Service Centers to determine whether the taxpayer is properly adopting, changing, or retaining a

permitted annual accounting period.

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**

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

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

Not applicable.

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**

Revenue Procedure 2002-39 was published in the Internal Revenue Bulletin on June 3, 2002, 2002-22 IRB 1046.

On November 6, 2006, in Internal Revenue Bulletin 2006-45, the IRS published Rev. Procs. 2006-45 and 2006-46. Rev. Procs. 2006-45 and 2006-46 clarify, modify, amplify and supersede Rev. Procs. 2002-37 and 2002-38, respectively.

In response to our **Federal Register Notice** dated **April 29, 2008 (73 FR 23307)**, we received no comments during the comment period.

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

Not applicable.

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**

Not applicable.

12. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

The burdens contained in sections 10 of Rev. Proc 2002-39 relate to a "Transition Rule" that allows a taxpayer, upon request to the IRS, to apply the terms and conditions of the new revenue procedure to a pending application.

The estimated total annual reporting and burden for the requirement contained in section 10 of Rev. Proc. 2002-39 is 50 hours: the estimated annual burden per respondent is 30 minutes; the estimated number of respondents is 100; and the estimated frequency of response is once. The cumulative burden relating to this portion of the three documents is thus 150 hours (300 respondents \* 30 minutes @ = 150 hours).

Revenue Procedure 2006-45

Rev. Proc. 2006-45 clarified, modified, amplified and superseded Rev. Proc. 2002-37, and provides the exclusive procedure for corporations within its scope to obtain automatic approval of the Commissioner to change their annual accounting periods under §442 and the Income Tax Regulations there under.

The collections of information in this revenue procedure are found in section 7. This information is necessary and will be used to determine whether the taxpayer properly obtained automatic approval to adopt, change, or retain its annual accounting period. The collections of information are required for the taxpayer to obtain automatic approval to

adopt, change, or retain its annual accounting period. The likely respondents are corporations.

The estimated total annual reporting burden for the requirements contained in section 7 of this revenue procedure will be reflected in the burden estimates for Form 1128.

#### Revenue Procedure 2006-46

Rev. Proc. 2006-46 clarified, modified, amplified and superseded Rev. Proc. 2002-38, and provides the exclusive procedure under which a partnership, S corporation, electing S corporation, or personal service corporation (PSC), a trust within its scope may obtain automatic approval under § 442 and the regulations there under to adopt, change, or retain an annual accounting period.

The collections of information in this revenue procedure are also found in section 7. This information is necessary and will be used to determine whether the taxpayer properly obtained automatic approval to adopt, change, or retain its annual accounting period. The collections of information are required for the taxpayer to obtain automatic approval to adopt, change, or retain its annual accounting period. The likely respondents are the following: partnerships, S corporations, electing S corporations, personal service corporations (PSCs), and trusts.

The estimated total annual reporting burden for the requirements contained in section 7 of this revenue procedure will be reflected in the burden estimates for Forms 1128 and 2553, and are not the subject of this submission.

#### Revenue Procedure 2002-39

Rev. Proc. 2002-39 provides the general procedures for taxpayers not qualifying to use an "automatic" change revenue procedure, to establish a business purpose and obtain the approval of the Commissioner to adopt, change, or retain an annual accounting period. Such approval is generally obtained through application to the national office in the form of a letter ruling request.

The collections of information in this revenue procedure are found in sections 6, 7, and 10. This information is necessary and will be used to determine which terms, conditions, and adjustments will be necessary to effect the adoption, change or retention of an applicant's annual accounting period. The collections of information are required for the taxpayer to obtain approval to adopt, change, or retain an annual accounting period. The likely respondents are the following: individuals, corporations, associations, trusts, estates, partnerships, farms, business or other for-profit organizations, non-profit organizations, and small businesses or organizations.

Rev. Proc. 2002-39 contains some additional reporting the burden of which is not reflected in regulations or forms burden estimates, and for which approval is also sought herein. These collections of information are found in sections 6 and 7 of the document.

Under section 6.01(6) of Rev. Proc. 2002-39, a taxpayer is required to provide certain financial information relating to net operating losses and capital losses, and any credits generated in the short period required to effect a change in annual accounting period. The estimated total annual reporting burden for this requirement of the revenue procedure is 125 hours: the estimated annual burden per respondent is 15 minutes; the estimated number of respondents is 500; and the estimated frequency of response is once.

Under section 6.01(7) of Rev. Proc. 2002-39, relating to establishing a business purpose for a requested annual accounting period, a taxpayer is required to provide certain additional financial information relating to substantial distortions of income attendant a change in accounting period. The estimated total annual reporting burden for this requirement of the revenue procedure is 400 hours: the estimated annual burden per respondent is 2 hours; the estimated number of respondents is 200; and the estimated frequency of response is once.

Under section 7.04 of Rev. Proc. 2002-39, a taxpayer is required to attach a statement to Form 2553, to request a conference of right in certain circumstances. The estimated total annual reporting burden for this requirement

of the revenue procedure is 25 hours: the estimated annual burden per respondent is 15 minutes; the estimated number of respondents is 100; and the estimated frequency of response is once.

Except for the burdens contained in sections 6.01(6), 6.01(7), and 7.04 (Forms 2553 only), above, we estimate that the total annual reporting burden for the requirements contained in sections 6 and 7 of this revenue procedure will be reflected in the burden estimates for Forms 1128 and 2553.

Thus, the cumulative burden for which approval is requested under this submission is 700 hours: 50 hours under Rev. Proc. 2006-45, 50 hours under Rev. Proc. 2006-46, and 600 hours under Rev. Proc. 2002-39.

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 **April 29, 2008 (73 FR 23307)**, 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 revenue procedures sunset 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.