

SUPPORTING STATEMENT
(PS-54-89)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 168(d) of the Code provides rules for determining the applicable convention for property placed in service in a taxable year. When property is transferred in a transaction described in section 168(i)(7) in the same taxable year that the property is placed in service, the transferee and transferor are allocated the first year's depreciation for the property based on the period of time the property was held while in actual service by each person. The transferee determines the applicable convention year and the total depreciation deduction for that taxable year is determined. However, the transferor may be required to file its tax return for that year before the transferee's taxable year has ended. In such a case, section 1.168(d)-1(b)(7) of the regulations permits the transferor to calculate a depreciation deduction amount for that property by assuming that either the half-year or mid-quarter convention applies. However, the regulation requires that the transferor indicate by notation on Form 4562 filed for the taxable year that the applicable convention has not been determined for that property.

2. USE OF DATA

The information required by section 1.168(d)-1(b)(7) of the regulations will be used by the Internal Revenue Service to insure that taxpayers deduct the appropriate amount of depreciation for transferred property described in item (1) above.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The Publication, 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.

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 been unable to reduce the burden specifically for small businesses.

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 proposed regulations were published as a Notice of Proposed Rulemaking in the Federal Register on December 31, 1990 (55FR 53571), which provided the general public with a 45-day period in which to review and provide public comments relating to any aspect of the proposed regulations. There was no public hearing and none was held. Final regulations were published in the Federal Register on October 29, 1992 (57 FR 48960).

In response to the **Federal Register Notice** dated **October 30, 2008 (73 FR 64664)**, we received no comments during the comment period regarding PS-54-89.

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

Section 1.168(d)(7) of the regulations provides rules under section 168(d)(3) of the Code when a taxpayer transfers property in a transaction described in section 168(i)(7). Under these rules, a taxpayer is required to indicate by notation on Form 4562 filed for the taxable year that applicable convention has not been determined for certain property when the taxpayer is required to file its tax return. We estimate approximately 700 taxpayers will be affected per year and it take approximately .10 hour to make the notation on Form 4562. Total burden: 70 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 **October 30, 2008 (73 FR 64664)** 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.